THE ECONOMICS OF SOCIALISM

H. M. HYNDMAN

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MARX MADE EASY

By

H. M. HYNDMAN

Author of
"Evolution of Revolution"

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PREFACE

There seem to be many students of political economy who do not devote either the time or the attention which are required for the complete mastery of Marx's great works. They are, consequently, almost as inaccessible to the majority of English readers to-day as they were in the original German. The subject is hard. Marx's style and method of exposition are by no means easy, and, if I am to judge by the ridiculous misrepresentations of his theories which still pass current at our ancient seats of learning, his thoughts themselves are difficult of comprehension.

Karl Marx has now been dead nearly forty years. It is safe to say that never has his influence been greater than it is now. Nothing, indeed, is more remarkable than the hopeless failure of his critics to substitute any scientific, or even reasonable, explanation of the capitalist system of production for the masterly analysis contained in his "Capital."

We are continually told, it is true, that "Marx is out of date"; that "his whole system is a muddle of contradictions"; that "if he were living to-day he would have to go to school again in political economy," and so forth and so on. Strange to say, however, whenever these contemptuous sciolists are brought to the test, and they are called upon to maintain their position, even anonymously, they at once take refuge in discreet silence. In the same way, Messrs. Marshall, Foxwell, Sidney Webb, Wicksteed,

Bernard Shaw and the whole bourgeois school of Jevonians and Fabians, who claimed and claim to solve all problems of political economy on the theory of final utility, when my paper on "The Final Futility of Final Utility," reprinted as Chapter XI, was sent round to them as a challenge, declined to discuss Marx's theories at all, even in a Political Economy Club! This though two or three of them had declared beforehand that Marx and his presumptuous expositor would both be crushed with ease.

It has been the same ever since, with all sorts and conditions of English academic "Professors." And endowed Schools of Political Economy, teachers and students alike, are to-day equally disinclined to debate publicly, in the press or on the platform, the soundness or rottenness of Marx's theories; though they continue their campaign of detraction whenever they can safely do so—unopposed.

Marx, in short, still holds the field. Nearly all the original work of historic economy done during the past fifty years has been based upon his analysis and generalisations; while the course of economic and social events has, in the main, followed the lines of his forecasts.

But Marx, like other great thinkers, has suffered not only from ignorant and prejudiced attacks, but from the tendency of some of his bigoted worshippers to erect him into a sort of infallible Socialist Pope, and universal arbiter of economic and social destiny. Forgetting, what he himself never forgot, that, of necessity, he built upon the work of others, who had preceded him, and here and there had anticipated him—as John Bellers in the antagonism between money and commodities; Robert Owen as to the indispensable necessity of waste under the capital-

ist system; Fourier (1825) as to industrial monopoly being in the long run under capitalism the logical and inevitable outcome of industrial competition; and the Chartists as to wage-slavery being only chattel-slavery in disguise. Forgetting all this, certain fanatics, far more Marxist than Marx ever was, have claimed for him the position at one period claimed for, and accorded to, Aristotle. They have also carried their fetish-worship from the domain of thought into that of wholly uncritical propaganda, and have cited "texts" from Marx's earlier writings and pamphlets and letters, as Christians quote authoritatively from the Gospels and the Epistles of St. Paul, about the practical affairs of every-day political and social life.

Now it is safe to say that, on matters of this kind, as he showed even in respect to what was advisable in his own country, Marx was not a good judge when he was living. Nothing, therefore, could possibly be more foolish than to cite his opinions as decisive on such questions when thirty-eight years of rapid and critical development have passed away since his death. It is surely enough that he has given us, at the expense of a life-time of research and exposition, the key whereby we may solve many of the economic and social problems of the past, may comprehend the economic and social antagonisms of the present, and may go forward, consciously and capably, to the harmonisation of the great material difficulties and class struggles which confront us to-day.

It is Marx's explanation of *Mehrwerth*, or Surplus Value, as the basis of modern competitive production for profit, followed by his able and illuminating differentiation of the categories of capital, and the source of the

average rate of profit, which have developed political economy from an art into a science. His Theory of Historic Determinism, or the Material Basis of History, has been pushed very much farther, to the exclusion of all other considerations, than, certainly, would have been approved by Marx himself. But, taken with such modifications as he would probably have accepted, the theory throws much light upon the growth of human society in some of its aspects; although Lewis Morgan's plan of stripping off each successive layer of inventions and discoveries, through the long ages of human development, and examining the social forms beneath, lends itself less to general misapprehension.

Lately, however, we have had a most extraordinary example of the danger of endeavouring to force pseudo-Marxism upon a huge aggregation of peoples by a ruthless despotism imposed from above. Bolshevism is a combination of personal ambition and fanatical materialism, applied under conditions which rendered any realisation of scientific Socialism absolutely impossible. Failure was certain. When the leaders of this futile attempt tried to anticipate the evolution of economic and social forms by generations, through a kind of Collectivist Czarism, they have been compelled to return to the much lower stage of industrialism to which Russia had attained, and to bow the knee, by capitalist concessions to foreigners and capitalist reorganisation at home, before that very capitalist system which they desired to reorganise into Socialism, before its development had fully begun.

This is precisely the irrational impatience and individual arrogance that Marx and his coadjutor Engels would have denounced now, and as a matter of fact did denounce,

as impossible and anarchical, in their own time. The scientific Marxists of Russia, headed by George Plechanoff and Paul Axelrod, foresaw and predicted what has since occurred, and all the best-accredited exponents of Marxist theories in Western Europe agreed with them. Bolshevism is, in fact, a hideous travesty of Marxism and runs directly counter to the entire teachings of scientific political economy and social evolution.

It is true that, in the last paragraphs of the Communist Manifesto, published in 1847–48, ground is given for the contention that, at that period, its authors, Marx and Engels, thought that great countries, far behind the most advanced nations in economic status, might anticipate evolution by force. But that I can affirm most positively was in direct antagonism to their opinions at a later period. Marx, in conversation with myself, stated clearly that, in his judgment, a nation could only attain to the level of economic and social development for which it had been prepared by its internal social evolution. Engels put the point still more strongly to my friend Belfort Bax. And both of them, singly and together, wrote to the same effect as they spoke. To confuse autocratic Bolshevism, therefore, with Marxism, or with its political, social and co-operative expression in Social-Democracy, is only a device of the ignorant or malignant.

It is natural, however, that political economists who uphold either the bourgeoisie or its bureaucracy, in any shape, should be as bitterly hostile to Marx, who gave a reasoned and scientific basis to economic studies, as their predecessors were to the ablest of the Chartists, who put the economic antagonism between Labour and Capital, between wage-slaves and employers, between human

agents and the machinery which overmastered them, in popular form. Both pointed to Capital as the social enemy of the toilers: Marx proved why it must inevitably continue to be so. His social labour theory of value indicates for the capitalist class its absorption into the entire democratic co-operative community, as the next stage in the upward and onward progress of the race. It is not so much the social labour value theory itself, as the necessary sociological deductions from it, that rouse the animosity of the capitalist "captains of industry," their professors, and their various dependents and hangers-on.

Hence the great efforts made to show that Marx was at one and the same time a man of transcendent ability—so much cannot be denied—and a muddle-headed thinker, who actually took great pains to contradict in his third volume of the "Capital" (produced and edited by Engels after Marx's death) all his contentions in the first volume, and even to attribute to him the inconceivable fatuity of admitting that he did so. I have dealt with this curious contradictory estimate of Marx's capacity in Chapter X. It is difficult, however, to exaggerate the nonsense, soberly and seriously penned, by economists of reputed ability and standing, in order to belittle the intelligence of the author whose arguments they are wholly unable to refute. Thus, not long ago, an elaborate pamphlet, stated to be written by one of the leading English Professors of Political Economy, to which Sir Arthur Steel Maitland, M.P., contributed a Preface, was lent to me by Belfort Bax for comment. It contained the usual Final Futility contentions, in all their barrenness, and the whole thing was scarcely worth glancing at, except as a further proof of

the longevity of error, where ignorance and prejudice seem to suit the taste of a dominant class. But one criticism was so contemptible that I reproduce its purport, in order to show the lengths to which the exquisite rancour of the professorial mind will lead a writer who, I daresay, in other matters, is quite a decent man.

This learned gentleman actually gave it as his considered opinion that, because Karl Marx was poor throughout his life, and was at times much troubled by money worries, *therefore* he was unable to think clearly on the subjects with which he undertook to deal. At this rate, Spinoza was a fourth-rate philosopher, William Blake a poet and artist of no account, and Cort, the originator of the hot blast, an inventor of inferior capacity. A case must indeed be in a bad way when one of its leading advocates resorts to self-degrading imputations of this sort.

The main reasons why a few of Marx's honest and unprejudiced critics have not grasped his full meaning are that they have not covered the whole area of his systematic investigation of value; that they have not followed up the distinction between constant capital and variable capital to its ultimate issue; that they have not worked out his explanation of average rate of profit, as securing the distribution among freely competing capitals of varying amounts of surplus value; that they confuse cost of production with price of production; and that they forget that, in applying abstract theories to the solution of practical problems, allowances have always to be made for friction, changing conditions, and the like.

Frequently, also, there is a determinate inclination to regard the question of the apportionment of gross and net profit, due to the unpaid labour of the wage-earners

at large, among all the various capitals engaged in social production and distribution of commodities, from the point of view of the individual capitalist and the personal (or company) appropriation of the surplus value, or gross profit, produced by such unpaid labour of his own wage-earners. Consequently, these writers fail to comprehend how it comes about that capitals with greater amounts of constant value in their composition obtain for their commodities when produced and realised, in money or its equivalent, prices higher than their value, and capitals with less constant capital in their composition obtain for their commodities under the same conditions prices lower than their value.

But, after all, the best evidence that Marx was not both a genius and a noodle lies in the indisputable fact that his theories have lived down the criticism of bourgeois economists. When a Professor of Political Economy of the highest reputation, Prof. A. A. Issaieff of the University of St. Petersburg, gave up his Chair rather than go on teaching what was antagonistic to Marx's theories; when, practically, the whole International Socialist Party accepts his views and acts upon his economic principles; when we bear in mind that all this recognition is due to no sentimental attraction, still less to any sort of religious enthusiasm, but is wholly and solely dependent upon the force of pure reason—I think nothing more need be said as to Marx's influence being a living power in world-wide sociology.

In the present volume I make a further endeavour to simplify, for ordinary readers, the main points of Marx's teaching, which I have been propagating myself, in Great Britain, for the past forty years. My personal acquain-

tance with Marx—broken off by some amusing if virulent attacks upon me, by himself and Engels, in the well-known "Letters to Sorge," and then happily renewed—enabled me to have the advantage of direct explanation by him of some of the more difficult passages in the "Capital." Few are now living who enjoyed a similar privilege.

The book is founded upon a series of Lectures, delivered so long ago as 1894, to the members and friends of the Social-Democratic Federation, and afterwards printed and circulated. They have long been out of print. The whole has now been carefully revised, largely rewritten and considerably expanded.

Throughout I have not confined myself to a bold exposition of Marx's views. Wherever it has seemed to me desirable, for the better understanding of the subject, I have made use of quotations and elucidations from other writers upon political economy. I have, also, shown how the great war has hastened forward powerful combinations of the capitalists, on the one side, and of the wage-earners, on the other, with a rapidity not expected in Marx's day. The class struggle has thus been intensified throughout the world, in the political as well as in the industrial field. Direct action, in the shape of mass strikes and general strikes, has been vigorously advocated and adopted in more than one country; while in Italy seizure of large works by the wage-earners was, though unsuccessful, clear evidence of revolt against the entire wage system and production for profit. In order to meet this growing unrest, peacefully and politically, a thorough comprehension of the general economic and social development is indispensable.

Some repetitions of the basic truths of the social-labour theory of value, as well as of the important categories of capital, as defined by Marx, will be found in the following pages. I have considered this advisable, regard being had to the strange misapprehensions which are current as to the real purport of Marx's contentions and their bearing upon the economic and social problems of our day.

I hope, therefore, in the critical period, social and political, upon which we have obviously entered, the volume will be of service to students of political economy and especially to members of the working-class. The resumption of the name and the continuance of the work of the old Social-Democratic Federation, by many active members of that pioneer organisation of Socialist propaganda in Great Britain, remind me of the enthusiasm with which we all worked for the cause from 1880–81 onwards, and I think I can discern signs that similar activity and self-sacrificing vigour will be displayed in the future as in the past.

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CHAPTER I

METHODS OF PRODUCTION

Thanks to the work which has already been done, nobody now talks as if our present methods of producing wealth had been permanent ever since private property broke up the old communal forms. I remember when the majority even of educated people spoke as if the system of production under which we are now living — that is, production for profit and exchange — had lasted through all the centuries, and they went back to the history of Greece and Rome, of Carthage and of Egypt, and endeavoured to prove that there were prevailing in those ancient empires the very same forms and ideas which we have in London and in England at the beginning of the Twentieth Century. This fallacious method, I am glad to say, is now quite exploded. The historical school has so completely swept away the old empirical teaching that nowadays it is no longer necessary to insist upon the truth that economic conditions have changed so greatly as to render it impossible to apply the ideas and expressions of one period of production to those of another.

When once we recognise that such phrases as "History invariably repeats itself," "What has been always will be," "It is contrary to human nature," "Nobody would work unless he saw some profit in it" are the commonplaces of the ignorant, a closer investigation inevitably follows.

Nothing is more difficult than to read oneself fully into a past system of society and to understand its industrial

and social relations. It is hard enough to comprehend societies in different stages of development which still exist in our own day. But when we try to transport ourselves in imagination into the minds of men of an entirely different race at distant periods, such comprehension becomes doubly hard. Happily, many of these social and industrial forms can still be seen around us, though, in most cases, their higher developments have faded. It is true, in a wide sense, that we can trace the industrial and social history of man on our planet from the aborigines of Australia, the bushmen of South Africa, the natives of Patagonia, and the hillmen of India, up to the highest development of capitalist civilization in Great Britain or the United States of America. All these forms of society can be surveyed at the present time, and have been described by men who have devoted themselves to their investigation. If, therefore, we wish to understand a little as to what men were and how they lived in past ages, we can see something like them in these various communities, whose social development is so much behind our own.

It is now a commonplace of our knowledge that mankind, in the earlier stages of its existence, lived under communism. All writers of any note on the early history of man are agreed upon this. Such men as Sir John Lubbock, Mr. Taylor, Mr. Herbert Spencer, Lewis H. Morgan, Von Maurer, Bachofen and others express no doubt whatever that the earliest form of society was a rude communism. Being now at the point when, after the successive periods of development under private property, we are on the eve of a great transformation back to our starting-place on an almost infinitely higher plane, this early communism has a special interest for us. If we look through the development of nature we shall find that

the same law apparently governs all organic and inorganic growths. In the case of an ear of corn, for instance. There is the seed which you sow: this is split up or differentiated in the earth, and then it reappears in the ear again, but on a higher plane.

In the celestial sphere we can trace the operation of the same law from the nebulae to the various galaxies back to their point of origin again. In the organic world and animal life we detect a similar process going on. These and similar illustrations seem to show that the same law pervades all nature. It is a reasonable hypothesis, which is now being verified under our eyes, that this law likewise applies to the development of man in society. If this is so, then the last development of human society will be nearer in form to its original starting-point than to any of the intermediate stages. As we began in the early history of our race with narrow, tribal communism, provided with and based upon small means of production; so we are now proceeding to world-wide communism on an immensely higher plane; in accordance with the greater powers over nature which we possess, as the result of greater knowledge and closer intercommunication.

Manifestly, we are not now at the beginning, or even at the middle, of the capitalist period of production. All the signs which betoken the close of a cycle may be detected at the present time. Admitting this, then the long process of splitting up from the earlier communism is at an end, and the recombination in the shape of the higher and final communism is at hand. Those who try to draw a distinction between evolution and revolution, or speak of evolutionary and revolutionary Socialism and Socialists, misunderstand the entire theory of sociological development, as formulated by the whole scientific Socialist school.

Revolution simply means that the evolution of society has reached the point where a complete transformation, both external and internal, has become inevitable.

No man and no body of men can make such a revolution before the time is ripe for it; though, as men become conscious, instead of unconscious, agents in the development of the society in which they live and of which they form a part, that they may themselves help to bring about this revolution peaceably instead of by violence. A successful revolution, whether effected in the one way or the other, merely gives legal expression and sanction to the new forms which, for the most part, unobserved or disregarded, have developed in the womb of the old society. Force may be used at the end of the period as during the incubation and full growth. It is true, as Marx said, that "force is the midwife of progress delivering the old society pregnant with the new"; but, on the other hand, force is also the abortionist of reaction, doing its utmost to strangle the new society in the womb of the old. Force itself, on either side, is merely a detail in that inevitable growth, which none can very rapidly advance, or very seriously hinder.

If, then, we have at last arrived at the end of the long series of centuries in which private property has been the dominating factor in economics and society, the early communal forms have, I repeat, a special interest for us. Not that we shall return to those precise social conditions, or that our descendants will necessarily resemble the men and women who lived under them; but because that form of society is, in its essentials, nearer to the one to which we are approaching than any of the societies based upon private property could possibly be. Men have lived under communism, as nomads, as savages, as village tribes, as

advanced barbarians, vastly longer than they have lived under all the forms of private property taken together. The history of man on this planet has been in the main the history of communism. Moreover, mankind progressed from the lowest form of savagery up to the very frontiers of civilisation under this social arrangement; in which the ownership of the means of making wealth was in the hands of the *gens* or the tribe, and the distribution was in accordance with the needs of the various members of the community. Though each of these social units was, in the earlier stages, at war with every other similar unit harmony reigned within the little body itself. Kinship, not property or locality, was the bond of connection.

All the great inventions which lie at the foundation of our modern arts and mechanical appliances to-day were first used under Communism. Those who contend that inventions must fade under Socialism, and that no further progress would then be possible, overlook, or are ignorant of, the whole of the early history of mankind. If there are any inventions in the entire range of the human application of the power of nature to the purposes of the race which excel others in ingenuity, surely the wheel, the potter's wheel, and the bow and arrow deserve the first place. Yet all of these were discovered under Communism. So also were the boat, the sail, the rudder, the oar, the stencil plate, fire, weaving, rude printing, building in wood and clay, decoration, the cultivation of cereals, the taming of animals, and the smelting of metals. It is upon this foundation laid by our ancestors of long ago that the whole fabric of our modern industry is built up. But for the work done by these primitive Communists, but for the efforts of the men of genius who devoted their thought to

the inventions and discoveries by which we profit, we of to-day should be living in skins and depending on fish and our fellow-man for the greater portion of our food.

"The developments of the power of human production, whether in agriculture or in manufacture, are necessarily due to a long series of circumstances failing any one of which the improvement could not have been made. The introduction in agriculture of the turnip, of the potato, of artificial grasses, of rotation of crops; the vast improvement in the breed of domestic animals; which has enabled meat and beasts of burden to be produced of so much better quality than heretofore; the properties of manures and their right application; the preservation of fish by salting and curing, which added so enormously to our food supply, extending the cod, ling and herring fisheries to the proportions of great industries: all these inventions are due to the combined observation and steady industry not of one or two but of thousands or millions of our race, though some lucky individuals may be honoured for the last crowning bit of work. Division of labour again, whether adapted to special advantage of soil and climate in particular regions — as wool-growing in Australia, cotton-growing in Louisiana, hunting and forestry in the Tyrol, &c.— or devoted to the abridgment of toil in workshops and factories; this, one of the most powerful engines for the domination of nature and the increase of produce, arises from the long, general, never-ceasing progress of human society, and is in nowise to be laid to the account of one or more men of individual genius.

"Precisely the same with shipping and navigation. No man knows who invented the mariner's compass, or who first hollowed out a canoe from a log. The power to observe accurately the sun, moon, and planets so as to

fix a vessel's actual position when far out of sight of land, enabling long voyages to be safely made; the marvellous improvements in shipbuilding, which shortened passages by sailing vessels and vastly reduced freights even before steam gave an independent force to the carrier — each and all were due to small advances which together contributed to the general movement of mankind.

"So with the great industrial machines simple or complicated. Who can fix upon the actual discoverers of the application of wool or flax, silk or cotton, hemp or jute, madder or indigo to human use or adornment or luxury? Their names are legion, doubtless; but all have been swept away as time has slowly swept its effacing figure over the records of the past. With machines the same is true, from the simple wheel, the pump, the forge, the stencil plate, the potter's wheel onwards to printing, steam, electricity and the great machine-making machines. Each owes all to the others. The forgotten inventors live for ever in the usefulness of the work they have done and the progress they have striven for.

"We of to-day may associate mythical or noble names with the advances we specially remember; but too often even then the real worker or discoverer, if such there were, remains unknown, and an invention beautiful but useful in one age or country can be applied only in a remote generation, or in a distant land. Mankind hangs together from generation to generation; easy labour is but inherited skill; great discoveries and inventions are worked up to by the efforts of many myriads ere the goal is reached. Those, therefore, who hold that the individual is all, who contend that these organisers or that class have the right to take from their fellows in return for the services they themselves have rendered, do but show their ignorance of

the whole unbroken history of human progress and social development."[1]

The bed-rock inventions of humanity, then, those inventions on which the whole edifice of modern capitalist industrialism is based, were made under Communism. Various forms of this primitive Communism can be studied to-day. There is, for example, the Communism of the Australian aborigines who roam without any fixed habitat, or live a precarious life in the roughest and rudest way, and yet possess a most remarkable weapon in the boomerang, and a social system as strange to us as it is effective for its immediate purpose. The Communism of these, to our ideas miserable, nomads is the lowest social life with which we are acquainted, as their knowledge of and command over nature is at the lowest point. Nevertheless, their existence is not unhappy, and white men who have lived among them testify to their enjoyment of life.

The Red Indians, many of the tribes of South Africa, the New Zealanders and others, show what magnificent specimens of mankind are developed under a rude Communism; while the village Indians in the pueblos of New Mexico and Arizona, a quiet, peaceful folk, very different from such terrible savages as the Iroquois, the Apaches or the Sioux, live a happy and contented life within the walls of their communal dwellings. Their power of production is very small indeed compared to ours. Yet they till their fields skilfully, have common ground and garden land in many cases, divide their food communally after it is cooked, and make provision for bad times by storage of grain. Their power of production of such food, and

[1] "The Historical Basis of Socialism" by H. M. Hyndman, p. 99 (1883). Oddly enough this passage was quoted by Mr. Samuel Smiles in one of his books!

of the ordinary clothing and other necessaries of life, is sufficient managed communally to sustain them in moderate comfort.

As to the village communities of India, with their semi-communal arrangements, every historian of the country bears witness to the simple, happy life of the inhabitants, where the old institutions are kept up, and the villagers are free from oppression above or raids from without. Here, again, though the power to produce wealth is small, the condition of the villagers in all the needs of their simple life is far in advance of large portions of our city populations. They carry out their necessary work without the intervention of capital, and the usurer, though not unknown in the ancient native society, never obtained dominance in the country districts until our capitalist rule gave him the legal machinery to oppress with.

In Polynesia, a quarter of a century or so ago, the early communal system might be seen at work, as in New Zealand at an earlier date, almost untouched by European influence. Here was evidence enough as to the manner in which works of considerable magnitude could be carried out not only without capital but without any idea of exchange, still less of profit. The great double canoe, *Ndrua,* of the Fiji islanders is, in its way, quite as remarkable a product of human skill, regard being had to the tools employed, as the huge mail steamers, the *Lucania, Campania, Majestic, Teutonic,* or any of the great vessels crossing the Atlantic or trading to India or Australia. There is not a single nail in the canoe, the whole being held together by cocoanut-fibre in the form of sinnett. Yet every plank fits close into its neighbour, and the whole vessel is quite water-tight. The deck itself is so skilfully adzed with a flint adze that a European carpenter could not

touch it with his plane. Such a vessel, with a house in the middle covering the two canoes, will carry nearly two hundred men and will sail from eight to ten knots on a wind. A canoe of this description is constructed by the continuous work of skilled artificers extending perhaps over a period of two years; and while they are engaged upon it they are fed and clothed by the labours of skilled agriculturists and cloth-makers, male and female, and provided with fish and turtle by equally skilled fisher-folk. The canoe when finished belongs to the tribe.

Their irrigation works and great huts are marvels of ingenuity. Yet none are overworked, none go short of food while others have plenty, and certainly the people are exceedingly happy, in spite of certain hideous rites and customs. It is impossible in such social conditions for a few to be lazy and fat and others workless and starving simply because the power to produce wealth is too great. If one starved through famine all starved. Division of labour in the tribe was amicably and conveniently arranged, and provision was made against famine in the majority of cases by storage, or by tabooing certain groves of fruit-bearing trees at periods of threatened dearth. In this respect great foresight was shown, and there is no reason for believing that the methods of wealth-production were wholly stationary. Small as their means of making wealth were, the natives controlled them, and were not overmastered by them.

Where the germs of exchange could be traced, as in collective gifts by one tribal chief to another; or in the early individual transfer to be seen in the shape of the rude form of barter described in "Old New Zealand"; or the similar plan of "begging" articles which had become private property, as in parts of Polynesia; there it may

be said the development towards individual ownership had already begun. But the change in this direction, so far as we can judge, was very slow. Man in society seems to have resisted as long as possible that advance to production for individual, instead of communal, use which nevertheless was inevitable in the onward and upward course of the development of the race. Personal property in weapons, in skins, in decorations, in mats did not at all involve the economic predominance of class or caste, or the break-up of the communal system.

But slavery in any shape necessarily puts an end to such Communism. It seems not improbable that slavery was one of the earliest forms of property, though in the first instance it is also almost certain that the slaves belonged to the whole tribe rather than to any individual members of it, and it is further a probability amounting to certainty that slavery itself was due to a direct economic cause.

When, for example, a powerful tribe had reached the point at which captives, either by serving as shepherds or in any other way, could produce a good deal more than their keep, it became more advantageous to enslave them than to cook and eat them at once, or to butcher them for the mere fun of the thing. Consequently slavery was a distinct social advance and, monstrous as chattel slavery may seem to the dominant class of to-day, who are in control of a more hypocritical system of private property in man, it was a necessary step in the long series of changes. Chattel slavery was the economic basis of all the great civilisations and of all the so-called democracies of antiquity. But the history of all those civilisations shows how hard the old gentile and communal forms died.

With slavery the accumulation of wealth in private hands

grew apace. Exchange between individuals replaced collective exchange. Their private property as individuals became a series of products for the market. Herein is the secret of the whole transformation which followed. As soon as the producers, instead of using their own product and enjoying it with their fellows, ceased to control it directly, but let it go out of their own hands for exchange against other products, they lost all power over it. They could no longer either determine or even know what should become of it. The product which escaped from them in this way might even be turned, and as a matter of fact actually was turned, against the producers themselves and became, in spite of all they could do, the means of robbery and oppression.

With the production of goods for exchange came the tillage of the soil by individuals for their own gain and enrichment, and shortly thereafter individual ownership of land. Common land might well be tilled for individual advantage before actual private ownership of land became the rule, and that this was so appears from many evidences. But with the development of individual production of goods for exchange money also arose, that universal commodity against which all the others could be exchanged. Here, however, was another new economic and social power which men invented without the slightest idea of the enormous control it would obtain over themselves, whether they liked it or not. Incapable as they were of comprehending its full social significance, they soon learned by bitter experience that money represented the sole universal all-pervading power before whose throne society must inevitably prostrate itself. At all the great centres of ancient civilisation this money-power made its appearance in its most cruel and brutal shape, without the slightest reference

to the desires or feelings of those who were dominated by it.

Slavery, merely as slavery, was not incompatible with the maintenance of a communistic or semi-communistic tribal system above the slaves. Examples of this form of society can be found at the present time. The slaves were an inferior portion of the tribe, or *gens,* or family, but the old kinship and the old communism still reigned. But no sooner did exchange and money begin to work their way than the break-down commenced. Private property, accumulation of wealth used to acquire more wealth, such was the inevitable progression. Division of labour into various branches, crystallised in many cases into rigid castes — agriculture, handicraft, trade, shipping, &c.— soon followed. Money and trade steadily forced a path for themselves through the ancient conservative arrangements.

But, it was a comparatively slow process in every case. For many centuries the individual production which gradually supplanted primitive and developed Communism, aided by a number of slaves who were reckoned a portion of the family, strove hard to hold its own against organised slave production on a large scale, with its more complete division of labour and rapidly-accumulated wealth.

The history of the development is precisely similar in each case. A settlement of tribes gathers round a common centre, bound together within themselves not by local association, still less by ownership of the land, but by those close ties of gentile kinship, the key of which Morgan found, and applied for us to the solution of such early combinations. By slow degrees, as such settlements became powerful and afforded security against the general state of war without, numerous other folk standing quite outside the original tribe arrangements gathered round the settlements.

Simultaneously private property displaced Communism. Wealth, trade and commerce grew apace. As the population increased, which had no gentile ties with the original settlers, these "old families" formed an aristocracy at the top, and classes began to be formed. The conflicting motives of kinship and property were in perpetual antagonism. The revolutionary idea as expressed in property and local habitation inevitably won. Rights based on property qualification and such local habitation, became sooner or later supreme over the ancient gentile relations. Individual labour on the land and private property in the products and eventually, as already said, in the land itself, became the dominant form of production. Slavery spread owing to conflicts with neighbouring tribes. As conquests extended, or federations were formed, slavery became more powerful as a factor of production. Still more conquests extended the system: exchange and money had the greatest influence, and the class separation became definite and acknowledged; though slave production and free labour went on side by side.

Then arose, likewise in every case and from the same cause, the tremendous question, above the mere arrangements of production — the question of debtors and creditors. Private owners of land and property who were compelled by temporary needs of any kind to borrow money, the universal equivalent, found themselves at the mercy of their creditors. These creditors themselves were the direct ancestors of the modern money-lords and capitalists. They were merchants and middle-men, for the most part, who accumulated money by standing between the producer and consumer, and fleecing both. Having, as a rule, no direct connection with the old society, out of which the new revolutionary forms of which they were the human

exponents were evolving, they had no mercy whatever upon those who became indebted to them.

Ancient history is full of the cruelties wrought upon unfortunate debtors by creditors of old times. A man who could not pay was practically, himself, wife and children, at the disposal of the person to whom he was indebted. Humanity never entered into the question at all. A bitter and bloody class struggle followed. Invariably the State or community at large, chaotic from our point of view as its relations then were, was compelled to interfere on the side of the indebted classes in order to prevent continuous bloodshed and eventual disruption.

The money-lending and usury of ancient times were a trading upon the necessities of the borrowers, and the whole system was so manifestly an ethical wrong, running quite counter to the kinship and communal ties from which society was but just breaking loose, that it was denounced throughout antiquity not only by the pagan moralists but even at a much later date by the Fathers of the early Christian Church.

The cruelty of economic progress, however, is as terrible as the cruelty of nature. It takes no acount of the feelings, or passions, or desires of mankind. It entirely disregards their morals and their souls. There is no place for religion, natural or supernatural, in economics. Dominate or be damned. Be master or be slave. Your sentiment and your soul are equally dependent on your belly. If the latter be not filled the former cannot function. Only when the material basis of individual and social life is fully assured does the higher development of human intelligence and character become possible. Slavery was an inevitable stage in the upward path of humanity; and that debtors should be subservient to creditors was likewise a natural

result of what had gone before and a preparation for that which was to come after.

The great majority were wholly unconscious, then as ever since, of what was going on around them. Exchange and money, private production for a market and slave production for luxury slowly swept away all that remained of the old gentile and communal society. The pressure of wealth in every instance became greater and greater until the slave system of cultivation was finally predominant and slave production became practically universal, almost crushing out the free workers as an economic force. The upper stage of barbarism gave division of labour between agriculture and manufacture: the first stage of civilisation confirmed this division and pushed it much further. Slaves who toiled on the land, in the cities, or in the mines, were worked in larger or smaller masses according to the wealth of their owners; and were treated cruelly or kindly according to the general social relations or the character of their immediate masters. But whether treated comparatively well, as they were by the Greeks, or with cruelty, as they were by the Romans and Carthaginians; whether scourged and killed by Cato, or dealt with considerately by Crassus, they remained as much chattels, for the most part, as the horses and oxen around them.

Even those slaves who held superior positions could not rely upon being better treated, and it is interesting to note, in passing, that the slave "captain of industry," the *villicus,* received a less ration than those whose labour he organised, on the express ground that such managerial work was far less exhausting than manual labour. All that the slaves produced, over and above their keep, belonged to their masters, and it was of course by no means only the rough and uneducated who were in this position of sub-

servience. Plato, the great idealist philosopher of antiquity, was sold as a slave, and could only be released at a heavy cost. Aesop, the famous fabulist, was also a slave, and many other men of ability were born or were forced into the like condition. Highly-trained slaves constituted the most important part of the wealth of the great Roman land and slave owner, and next to them in importance came his land, his mines, &c. Writers, copyists, artists, decorators, gold and silver smiths, skilled craftsmen of every kind; these are enumerated as more valuable than all his other property put together.

The wealth which was piled up by these huge armies of slaves, skilled and unskilled, educated and uneducated, was enormous: relatively greater, probably, in the case of the Romans, than anything known in the history of the human race until the Vanderbilts, the Jay Goulds, the Rockefellers and Astors laid hands upon tens of millions sterling on the other side of the Atlantic. That Lepidus should have been able to maintain a large army in the field at his own cost; that Hannibal could support himself and his armies in Italy for seventeen years, largely from the slave-produced silver of his mines in Spain — are as remarkable examples of industrial wealth as the fact that Caesar could find money-lenders prepared to advance him at least £3,000,000 on the chance that he would make his way to the chiefdom of the Roman Republic. And these instances of huge fortunes are drawn from the period anterior to the completest development of the system.

Obviously, the chattel-slave system of production, though much nearer to our present wage-slave system of production than either Feudalism or Communism, was very different from it. Where this method of production prevailed the producers as well as their product equally belonged to

the master. The one could as well be sold by him as the other. Much, or even most, of the produce of his slaves might go into exchange and be sold for money, but the great land and slave-owner of Greece or Rome or Carthage, or Asia Minor was assuredly not a capitalist in our modern sense. His wealth was used for his own luxury or to augment his fame. He did not enter upon production primarily to build up the means of creating more wealth. The whole social relations were different: the methods used and the end aimed at were quite dissimilar.

And yet the effects produced were in many respects superficially the same. From the side of the slaves themselves, for example. The slaves of antiquity took their position for granted. It was in the nature of things and inevitable, just as our wage-slaves of Europe and America to-day for the most part regard their economic subservience as unchangeable. They could not imagine a society existing without slaves. And the ablest philosophers were of much the same opinion. Aristotle himself, the ablest and most profound thinker of all antiquity, could not see how it was possible to dispense with this basic institution, "except perhaps by the aid of machines"; and that he should have seen even so far is a testimony the more to his extraordinary ability. Yet the numbers of the slaves were practically overwhelming.

In Athens there were 90,000 free citizens, men, women and children included, as against 365,000 slaves and 45,000 slave police. Corinth, Egina, Sparta show a similar disproportion. In Rome the disparity was still greater. Yet, though the whole of the governing classes, in spite of their intestine feuds, more than once displayed considerable fear as to what the slaves might do, the risings against the economic tendency of the time, when they did occur, were

by no means so formidable as from a superficial view might have been expected. Even the hideous cruelty with which they were treated in the mines of Asia Minor, Greece and Spain rarely drove them to revolt; though, when they did rise, their insurrections were suppressed with a bloody brutality never excelled even by the dominant classes of modern times. Their overwhelming numbers in the cities would have given them at a later date a far better chance of success, had they been able to combine in one fierce onslaught on their masters.

The whole history of the great slave period shows indeed how impossible it is to bring about a change in class relations until the form of production is ripe for transformation, and men's minds, unconsciously to themselves, take the course which is prescribed for them by the historic development of social and economic forms.

As slave-production grew and wealth expanded honest labour became shameful. A Cincinnatus commanding victorious armies in the field and then returning to his farm and homely domestic life would have been quite impossible under the Antonines. Any successful general who so degraded himself would have been regarded by all mankind as a drivelling old dotard. The view of labour was much the same under the Roman Empire as it is really in London to-day — a toilsome and degrading expenditure of time.

As slave production also crushed by its competition the independent efforts of free men, a class was developed answering to the free whites of the belated chattel slavery in the Southern States of America and the West India Islands. These people in all the great cities, but more particularly in Rome, had the good luck to possess political power which could not be taken from them. As a result they were flattered and fed by the governing classes, who

effected a cheap insurance of their economic and social predominance by liberal allowances of food and a huge expenditure on shows. But the seamy side of slave production was not long in turning itself to the community. This exhausting method of cultivation practically ruined Italy at a comparatively early period; Rome became entirely dependent upon foreign sources for its food supply; and the inhabitants, rich and poor alike, had many a bad quarter of an hour when the arrival of the grain ships from Egypt or the Euxine was unduly delayed by bad weather.

From that time forward Rome, with its slave production and turbulent population, became almost as complete a world-market for wealth and articles of luxury of every description, almost as huge a vampire sucking riches by tribute from all parts of the earth, as London or England herself is to-day.

And what an Empire, what a civilisation, what wealth, what luxury, what excess was thus due to the generations of human cattle who toiled hopelessly on, producing wealth for others and bare subsistence for themselves! There is nothing more imposing in history. Its roads, which still exist, built by the free labour of the legionaries, extending unbroken from one end of Europe to the other; its administration so complete and all-pervading that there was no escape from its justice or its vengeance; its peace within its borders so profound that even the bloody struggles of rival Emperors for supreme power scarcely troubled the calm of the surface; its innumerable public works so solid and yet so splendid that the ablest of modern engineers gaze with admiration on the work of the greatest builders that the world ever saw; its military system so complete in every part that victory seemed reduced to a certainty, and defeat became merely one of those casual accidents

which, as a matter of business, had at once to be repaired.

Stretching as it did to the uttermost parts of the earth, having full mastery here in Britain for over 400 years, while it had equal hold on the remotest confines of Asia Minor, controlled by men who in their trained capacity for domination in all forms have never seen their equals on the planet — this extraordinary organisation seemed constructed to last for ever. To a Roman of the great days of the Empire it might well have appeared, as he looked round on the magnificent cities so connected and so ruled, that such a structure, like their roads, their aqueducts and their bridges, could never perish nor decay. All modern empires seem mushrooms in comparison with this. Slow and majestic in its growth: slow and majestic in its decay.

The mills of economics, however, like the mills of God, grind slowly but they grind exceeding small. The slave culture and manufacture which looked to the ablest minds as if it must endure for ever and which never appeared more secure than immediately before its final collapse — that system, like others, came to its end from economic causes at work from the first. Luxury and debauchery, unequalled perhaps before or since, reigned above: the direst and most hopeless poverty festered below. The provinces were bled to death by excessive tribute; the slaves were driven to death by excessive overwork: free farmers were ruined by usurers and robbers. Mercenaries of the greediest kind took the place of the old independent Roman legionaries; and pimps and eunuchs were the cherished philosophers of the rich. Yet none could recognise the rapid approach of the catastrophe which now seems to all to have been so clearly impending.

Finally came the overthrow of the whole edifice, at any

rate in Western Europe. The great barbarians who invaded the decrepit Empire found a very different state of things from that which their ancestors had encountered a few centuries before. Their arrival but hastened on the inevitable downfall, and provided at the same time the means for reconstruction. To the mass of the city populations patriotism was a forgotten word: to the miserable slaves no change could be for the worse. Consequently, there was no resistance capable of withstanding wave after wave of invasion, and the greatest chattel-slave Empire of antiquity fell. There followed a long period of transition and disruption, and amid this apparent chaos new growths took root and sprang up. Roads fell into disrepair, local markets necessarily replaced the Roman market, local forces overcame imperial power. At last, at varying periods, the feudal system, as we know it, became the prevailing organisation over Western Europe.

Here we arrive at the second of the great forms of production by an inferior class consequent upon the institution of private property.

The arrangements were, however, in many respects more complicated than those which arose out of chattel-slavery. Villenage or serfdom by which the mass of the common people dwelling on the soil fell under the yoke of the feudal lord never overcame free labour as slavery did, and the relations of lord and serf differed materially from those which existed between master and slave. Working on the land, the villeins could not be removed from it for sale, but the lands when disposed of carried with them their serfs. The duties of these serfs varied materially in different parts of Europe, and in many respects they had little reason to congratulate themselves on holding a superior position to their economic predecessors in servitude.

But in the main the difference between the serfs and the chattel slaves lay in the fact that churls and villeins as they were, liable as they might be to ill-treatment and murder at any moment at the caprice of their lord, they were recognised as possessing some right to their soil. Thus they were permitted in the majority of cases to work so many days for themselves as against an equal or greater number of days that they were bound to devote to tillage, forestry, quarrying, or other services for their lord. Most of the total production of the country was thus due to their ill-requited toil. When, however, ill-housed, ill-fed, and subject to all sorts of indignities, they rose against their noble and chivalrous overlords, they were butchered and tortured even more relentlessly by the finest spirits of the time than the unfortunate slaves were by the leading minds of ancient Rome.

In this respect, indeed, there was little to choose between the most saintly catholic knight and the earliest development of the hypocritical nonconformist conscience; seeing that Martin Luther, at the very close of the period of serfdom and villenage, was as relentless a persecutor of the revolting German *Bauers* as the Capital de Buch, du Guesclin, and Edward the Black Prince were the ruthless slaughterers of the French *Jacquerie,* or the Russells, Cecils and Howards the gentle butchers of the English peasantry. Butcheries of this sort, by the dominant class of the people, are pure matters of business, and the religionists and moralists of the period are always careful to denounce the criminality of the weaker side. In any case, the futile risings of the peasantry on the continent, and even in England, so long as the feudal system retained its first vigour, show, as the similar hopeless risings of the slaves proved before, how futile, except for the satisfaction

of a temporary but legitimate vengeance, are insurrections of the people until the time is economically ripe for another stage in the development.

The villeins formed the main part of the unskilled and a portion of the skilled labourers during the predominance of the feudal system, and unsatisfactory enough was their method of cultivation and work. But most of the barons and their retainers, the lords, thanes, and freemen, lived in a rude plenty; while some of the richer feudal lords, lay and cleric, had around them an amount of comfort and luxury which, if not equal to that of the Roman or Byzantine nobles, was still very great.

Side by side with serfdom, also, was the large body of free workers, in country and town alike, who no longer regarded labour as in any way degrading, and who had inherited from the barbarian invaders, or had acquired from them, notions in regard to general freedom and collective ownership which placed them in a very different position from that of the mere emancipated slave or predial serf. Free peasants and free artisans, whatever dues they might owe and pay to their lords in return for privileges or services, were as free economically as men in that day could be. Gathering round the castle for protection against the robber hordes or legitimate invaders of their territory, or clustered in fortified cities — whose narrow streets and lofty houses show to-day how crowded these fortresses became — the artisans and craftsmen carried on their trades in democratic guilds with strictly limited apprenticeships, and showed from time to time, throughout the continent as well as in Great Britain, that they knew very well how to protect their freedom against any attempt at encroachment by the feudal superiors, to whom they were nominally or really subject. Still, in these relations,

there was no capitalism in the modern sense. Though banks and banking were beginning, and exchange was assuming something of its modern features, the wealth of a great baron or prince of the Church, great as it often was in every respect, was due in no sense to the use of his capital or to the gains which he made by direct trade.

As communication after the break-down of the Roman roads and the collapse of all central authority became increasingly difficult, production in the interior of most of the detached provinces into which Europe was thus spilt up was carried on chiefly for immediate use of the producers and their families; for the benefit of the feudal lords or the Church to whom portions of the produce were payable as dues for personal service, fees for privileges granted, or tithes for the poor. Only the superfluity, after these claims were satisfied, came forward for exchange, and then only into local markets.

The holdings of land and property and tenure of position: whether held under the beneficiary system in which property considerations predominated; or under vassalage, which was a purely personal relation between one or more individuals in the feudal chain and another individual; or by immunity, which was a political privilege granted for some service rendered or some quarrel compromised — each and all of these involved payment of dues, or services in peace or war to the immediate superior, through a long chain of infeudation and subinfeudation from the king or great over-lord downwards; and from the villein working out his enfranchisement, or the poor peasant just able to maintain his family, upwards. They were all personal relations, although the form which the discharge of the obligations took might be pecuniary. The differences in the shape of these relations and connections, in various

parts of Europe, were countless, but in the main the system itself was the same. It was in fact a great rural hierarchy, modified by the growing power of the towns, with their increasing wealth and independence for the burgher class, and by the influence of a sacerdotal hierarchy, that of the Catholic Church.

The articles of use, of beauty, and of luxury produced at this period, even in countries which, like our own, were at the time in many respects rude and barbarous, awaken our admiration. We have, in fact, only to look round our museums, or to read the list of the rich things paid as dues or given to a prince or baron of the day, to understand that capital is in nowise necessary to the development of the beautiful in art. The splendour of the cathedrals alone, the ruins of the abbeys and monasteries which abound in Great Britain, are quite sufficient to tell us that there was no lack then of architects, decorators, and builders of the very highest skill in every department of their craft.

In the long run, the free cultivator and free craftsman, the yeoman and the artisan, overcame the competition of the serfs, if competition it could be called. The serfs were gradually emancipated because their position became first economically unsatisfactory to the community and then ethically wrong. At length, therefore, in England, the most advanced European country, cultivation of the land and handicraft by freemen finally replaced villenage, and England of the fifteenth century, as has been so often pointed out of late years, was essentially the country of free men — free producers who commanded as individuals their own means of production and raw materials. If ever individualism in its economic and social sense could be permanently maintained, then was the time. Everybody

wanted to keep it up. The results to the kingdom at large were satisfactory to all, and even the upper classes, with all their arrogance and brutality, were in a sense proud of the well-being and independence of their working countrymen.

Never before or since has man as an individual had such a chance. Controlling his own tools and his own product, selling his labour for hire but seldom and at a good rate; in the country master of his holding and entitled to his share of the use of the common land; in the town member of his guild, secure of his privileges, safe to rise from journeyman to master craftsman and protected against competition — the advantage of such circumstances, and the real freedom and sturdy well-being they gave birth to, I have often descanted upon.

Local markets, in which adulteration was made criminal and where profit-mongering was relentlessly put down, were supplemented to some extent by the great national and international fairs, at which goods from all parts of Europe and the East were freely offered for sale in exchange for local products. A local and national spirit of individual initiative was thus engendered, which was vivifying to all it touched then and rouses our admiration now. There was some pleasure in doing good work when the craftsman himself was in his way more than half an artist, and the artist who was not also a craftsman was unknown.

The whole thing hung together. Individual production, individual ownership, individual exchange. From the first step to the last, the worker controlled his means of production and controlled his product. There was no probability then that the creature of his own brain, fashioned by his own hands, would turn again and rend him in the form of an over-produced commodity. The supply and

demand alike of goods and of labour were strictly regulated: the object of the restrictions being almost invariably to secure good articles and good pay for producing them. When each man worked the whole or the greater part of his time on the land, or in the town, under such conditions as these; when he was certain of good, if rough, food and good clothing from year's end to year's end; when education was far more general and better than has been commonly supposed; and when wage-earning was the exception rather than the rule — when all this was the birthright of the working-class, there is little need to marvel that they did not welcome a change of system with any great alacrity, so far as they could understand what was coming about.

But this happy period of national isolation and full bellies could not continue. It was impossible to round up England from the onward movement of human kind at large.

Once more economic development recked little of the human happiness of the moment: once more mankind moved unconsciously onward towards the completion of the full and orbicular cycle marked out for the evolution of the race.

Of the expropriation of the freeholders long since accomplished in Great Britain and now going on all over Europe; of the downfall of the old feudal nobility and the confiscation of Church property; of the cruel vagrancy laws, and enactments against working-class combinations; of the conversion of the democratic guilds into close capitalist corporations — of these and other events which ushered in the modern capitalist system I need not here speak at length. A whole library of works treating of these matters has been placed at the disposal of the English public since

my little "England For All" first set the work on foot just forty years ago. And now, in any city of the English-speaking peoples, a student can, with little difficulty, and with a comparatively small expenditure of time or money, master all that he needs to know concerning the growth of the wage-earning class. The facts are there, I say, but they are not, unfortunately, by any means always rightly interpreted.

Individual production for immediate use gradually gave way to social production for private profit. How it came about that large numbers of free men found themselves, in this country first, and afterwards in other countries, deprived of land, destitute of means of production, and possessed only of the sole right to sell the power of labour in their bodies to those who possessed land and means of production, is a chapter in economic and social history extending from the reign of Henry VII to that of James I; and again from the beginning of the eighteenth to the first quarter of the nineteenth century. Never in history before was so great and crucial a change in the relations of production so rapidly brought about. The development may be said to divide itself, as stated, into two periods. In the first period production for exchange was gradually substituted for individual production mainly for use.

This change was accompanied by a similarly gradual growth of the purely wage-earning class, by the expansion of commerce and trade, and the replacement of the local market, first by the national, and then by the international and world-wide market.

The second period is essentially the age of machinery; in which, that is to say, steam and improved mechanical and chemical processes dominate the whole industrial system.

In the first stage, the producer becomes accustomed to regard himself as a wage-earner for life. In the second stage, he becomes accustomed to look upon himself not only as a wage-earner for life but as an appendage to the great machines of production and distribution around him. In the earlier time spoken of, he might still, though a wage-earner, use his machine when at work, and remain still to some extent an independent man. In the later period, he becomes, and must become, more and more the mere slave of the mechanism of industry, which his fellows have fashioned and which he, conjointly with them, might use and dominate.

The crucial change which lies at the bottom of the entire transformation is that from individual to social production, unaccompanied by the modification of individual into social exchange and appropriation of the product.

That may seem too abstract a statement. The worker of the fifteenth century in England had, as we have seen, a complete control over his tools, his raw materials and his finished product; or, if a peasant farmer, he owned his own land, lived off his own cereals and fruit and live stock and clothed himself to a great extent with his own wool. In the case of the handicraftsman, whether saddler, smith, jeweller, tailor, or the like, he produced with a view to the local market, and probably owned land as well. Such a man was his own master as an individual, and even the stonemason, though more continuously a wage-earner, came into the same category in the main. When, however, a number of workers began to work under the control of a master permanently for wages, the raw material, the finished product, and the place in which they worked all belonging to the master — who produced the articles not primarily for use but for exchange in order to make a

profit — then, manifestly, the entire basis of the system was transformed.

No longer was it merely the superfluity but the whole production which went into exchange. No longer did the individual worker work as an individual, he worked as a portion of a complete social organism for a social purpose, namely, exchange. No longer did the product belong to him either wholly or in part; it belonged to his employer and to him alone, and the wage-earner had no say whatever as to its method of production or as to its disposal. No longer also did the worker work only incidentally as a wage-earner: he toiled continuously as a wage-earner, and as a wage-earner only, all his life through.

Here, then, we have the great, fundamental antagonism of our present system of capitalist production, which emerged from the old individual production of freemen. It is the antagonism which lies at the root of all the other antagonisms:

Social production over against individual appropriation and exchange.

Thenceforward from that point the rest of the development and its class relations are comparatively easy to understand. In spite of certain local survivals of the old system, such as peasant proprietors and skilled craftsmen in certain parts of Europe and in certain trades: in spite of new developments such as the farmers of Western America, and the fruit and vineyard proprietors of Australia, the tendency is all in the same direction.

The production for the local market fades into production for the national and world market.

All the old middle-age restrictions are swept away and even modern protection becomes very different from its middle-age correlative.

Production for profit becomes the rule: production for use the exception.

The workers instead of being wage-earners at intervals become wage-earners for life.

Exchange and the pecuniary relations which grow out of exchange dominate and control the whole of society.

All the old class antagonisms fade by degrees into the last and final antagonism, between wage-earners and owners of the means of production and distribution.[1]

We are landed, in short, in that great maelstrom of capitalist production with its whirl of commodities and its series of economic antagonisms which it is the object of this book to endeavour to examine and simplify. This development has been almost infinitely more rapid than any of its precursors. Capitalism in its present form is barely 180 years old; and yet, as said at the commencement of this chapter, it is even now obviously in its last period. Nay, more, the transformation to the new and final stage of human power over nature has already begun.

What has pushed mankind on thus rapidly? What has so greatly accelerated the rate of progress beyond that of all former ages? Unquestionably the growth of the great machine-industry motived by steam, oil and electricity. From the middle of the eighteenth century the human race fell into the grip of its own tremendous mechanical contrivances, which, though many of them had been discovered before, then first became applicable to the needs of society. But they were not handled *by* society. They were, they are, and for a time still will be handled by the possessing class against society. Once more the cruelty of economic progress makes itself felt. The great machine industry

[1] Those who desire to follow the subject further may consult my "Evolution of Revolution." (Grant Richards, London. Boni & Liveright, New York.)

which might have lessened labour and rendered toil unknown, which provides mankind with the means of doing, what Aristotle foresaid might thus be possible — the final abolition of slavery in every form — this great machine industry dominating instead of being dominated, has crushed individuality, broken up family life, rendered existence more uncertain than ever before, and filled our cities with huge hordes of propertyless proletarians; at the same time that it has denuded the country districts of their population and has rendered London and England more dependent on foreign sources for food supply than ever was Rome.

All wealth is due to labour applied to natural objects. This is an obvious truth, when labour is engaged in creating wealth under communism, under slavery, under serfdom, or when individual free farmers are producing food, or materials for clothing, or cattle or a superfluity of hides, milk, cheese, &c., for exchange. There can be no doubt whatever in these cases as to what is the agency by which the various useful articles are produced. Nor, when exchange is conducted by barter, does any dispute arise upon this point. What is the actual measure of value between two articles which are exchanged, under these conditions of barter, is never considered. Supply and demand, in the shape of the higgling between the buyers and sellers, determine each several transaction, whether it be between communist tribes or between Carthaginian merchants and West African savages, trading away their gold dust for goods.

Even under the capitalist system of production for exchange and profit, nobody would be so foolish as to contend that wealth could be obtained, in the first instance, without labour; for if none laboured there would be no wealth at all and man would speedily perish. Only the

fact that, without slavery or serfdom, or any apparent compulsion, one class is in possession of all the social means of production and distribution, inherited from past generations and now constantly improved from decade to decade by social discovery and invention, and another class owns nothing but the labour power in the bodies of its members, which those propertyless persons are obliged to sell as a commodity to the possessors of capital in order merely to live — only these facts introduce a complexity into the problem which enables the capitalists and their professors of political economy to confuse the whole issue, under this modern form of the production of wealth.

Even to-day, also, the majority of any nation has little knowledge of its own surroundings. The workers of Great Britain as a whole do not recognise nearly to the extent their Chartist forbears did, how completely the wage-system holds them in thrall, they are unaware that, so long as this system continues, their emancipation, either as individuals or as a community, is impossible; and they almost resent the statement that the ownership of all the great means and instruments of making wealth, by a small minority of the population over against them, involves them in a class war whether they like it or not. Yet capitalism in its modern form is so recent, and was so fiercely resisted in this island, in its development to its full power less than a hundred years ago, that such forgetfulness of its origin is a remarkable instance of human oblivion.

How different this capitalism is from any of the ancient methods of production is at once apparent when historically and economically considered. Moreover the illustration of its growth is far clearer in Great Britain than in any other country in the world. Not only did the entire trans-

formation of industry and transport by land and sea, owing to steam, great factories, railways, &c., begin in that island, but the expansion of the proletariat — the indigent population deprived of all property, even in the shape of small land-ownership — assumed far larger proportions in Great Britain than anywhere else. In fact, the small land-owning and small handicraft sections almost entirely disappeared. This is why the examples of the domination of capital in the modern evolution of production are chiefly drawn from England, though other nations have advanced farther than the English employers in several departments of industry. There is no peasant proprietary in Great Britain as in France, Germany, Italy, Belgium, Russia and other European countries, to act as a conservative, or reactionary, element in opposition to the revolutionary tendencies of the workers of the towns when these latter become conscious of their true class interests.

There is, in short, no antagonism between the toilers of the country and the city here as there is elsewhere. They can brigade themselves together on one common basis, in order to proceed, either peaceably or forcibly, to the next stage in the evolution of the race: and this stage, as already stated, must inevitably be a reversion to collectivism, communism and socialism, on an infinitely higher plane than the primitive barbarian communism under which our remote ancestors laid the foundations of man's rapidly advancing control over the forces of nature. Nor should the truth be overlooked that the change in the forms of production, distribution, exchange, and communication has been far greater in the last hundred and seventy years than in all the previous history of man on the planet; that this modification is proceeding even now at a cumulative rate; and that it is possible for human beings in society,

through education, combination and mutual intercourse, to far transcend in the rapidity of their economic and social development any previous period known to man.

At the close of even such a brief and cursory survey of the methods of production as this, it is impossible not to be struck with the wholly unconscious and helpless manner in which mankind has drifted, rather than progressed, from one stage to another. From communism into chattel-slavery and private property the development was wholly unconscious: the resistance to and the acceptance of the new forms were equally actuated by ignorance and ignorance alone. The ablest brains of the time could but bring to bear immediate, transitory, and so-called practical, remedies for the pressing needs which threatened to subvert the entire community. None could comprehend what was going on around them: not a single man of genius could formulate the process of change through which his society was passing.

So it was all through the long, long centuries during which chattel-slavery, and the forces of production that it called forth and created, dominated man in civilisation. Great administrators and able thinkers as the Romans and the Roman Empire produced, they and their jurists were too practical, too much bent on solving obvious problems as they arose, to recognise the existence of the still greater problem which was solving itself around them.

When chattel-slavery came to an end, and villenage and feudalism were substituted, still the same blind, unconscious and unregulated force of human development worked its way on. The ablest and most farseeing men of the whole of the great time of art, eloquence, conquest, and discovery failed to perceive whither they were going, and were swept hither and thither on the current of the stream which bore

them they knew not to what shore. If here and there a dreamer arose who saw in his visions dimly into the future, he himself felt that he was but a dreamer and that, when his body returned to earth, his waking sensations would be no more capable of impelling him to conscious action, or of inducing others to follow him, than they were before he was rapt up into the Seventh Heaven of the seer.

So again was it when serfdom disappeared and individual freedom reached the highest point to which individualism, unsocialised, can attain. Still unconsciously, still blindly, still ignorantly, groping like children in a darkened room, did mankind drift from that sturdy individualism into the Malebolge of capitalism with its inevitable but fearful cruelty to the weakest and most sensitive of the race. Like the Nemesis of the ancients the wheel of economic progress rolls on, crushing the noblest and the worst indifferently in its course.

Men of our epoch are the inheritors of the lessons of all the ages. The long martyrdom of mankind to the forms of production and exchange has enabled us to proceed consciously and deliberately where our ancestors could but move unconsciously and anarchically. Thanks to their sufferings, we can see where they could not.

CHAPTER II

VALUE

The thorough knowledge and understanding of what the word "value" means is essential to any fruitful examination of the capitalist system of production. This is admitted by economists of every school, though many of them at once go on to render any true conception of value impossible.

To begin any analysis, however, it is first necessary to grasp what wealth is. It assuredly is not, as Aristotle says it is, only that which is interchangeable; for a society may be, as we have seen, very wealthy in proportion to its needs, into whose midst the idea, still less the practice, of exchange has never come. Robinson Crusoe, the favourite example of the individualist, was at the end of a few years' work on his island a wealthy man in his way; though in his case, notwithstanding the fact that he possesses the tools and weapons of civilisation, the very possibility of exchange had entirely ceased. An individual, or a society, which has an abundant supply of all the things needed for existence, enjoyment and luxury, according to the ideas of the time, and the power to keep up this supply at the same or a higher level, is wealthy; and the ownership of such a supply constitutes the possessor, in any ordinary sense of the words, a person of wealth. Wealth, therefore, primarily consists in an accumulation of goods, houses, clothes, beautiful objects, boats, food and so on which together give enjoyment to those who own and can use

them. This whether they can be exchanged for other articles or not.

Nothing has tended more to confuse the mind of the student of political economy at the start than the statement, which we owe to the great father of science himself, that there are two sorts of economic value: value in use, or use-value; and value in exchange, or exchange-value. If anything is useful to us it is no doubt valuable to us. We don't want to give it up, unless more of it is easy to get: we wish to derive the full benefit from it. But it would be equally useful if there were an endless supply of it, and all the world could take as much as each needed. In that case there would be no contest whatever about individual possession, though the need of a constant supply might be as great as ever.

Value in the economic sense, therefore, only appears when, in addition to usefulness, relations of exchange between articles of social use are established. Thus we know that air, water, light are of enormous value, in the sense that we cannot live without them. But they are so plentiful, as a rule, that they have no value in the economic sense; that is to say, they will fetch nothing in exchange for other things. But in the desert, in a prison, or on board a boat from a wrecked vessel, men have been known to offer all the wealth they had at command for a little water. In these exceptional instances, as in the case of a besieged city, the value both in use and in exchange of that which, in other conditions, is practically valueless becomes almost infinite.

But we have not to do here with such exceptional cases, any more than with the value of food in a famine. The object in view is to arrive at what constitutes the value of useful things on the average when they are exchanged in

a general free market. Aristotle, who saw and foresaw so much, understood that exchange under such conditions must be an exchange of equivalents — of things of equal value; though slavery disguised from him what formed the basis of this equality of exchange. No matter how unlike the things may be which are exchanged, coats and bread, hats and iron, the equality of their value, in certain quantities relatively to one another, is established on the average by their exchange, and this equality is arrived at by competition and the higgling of the market.

Now, in modern capitalist societies nearly everything which is raised, produced, or made, is so with a view not to its use by those who create it, or their immediate neighbours, but for the purpose of exchange in the open market. These goods thus produced for exchange are called in economic language commodities, or wares — useful articles primarily intended for exchange and sale. The workers and their employers alike look to the general market as they produce cups and saucers, pots and pans, clothes and furniture, gold and diamonds. And the wealth of our present society, by common consent, consists in a vast accumulation of these commodities or wares, which all have an exchange value.

Now, how are these commodities exchanged under the conditions spoken of? What is it which regulates their value, their relative value, when exchanged against one another?

It is remarkable that nearly all economists of note are agreed as to what constitutes value. They say, with one accord, that quantity of labour constitutes value; the amount of human labour, that is to say, which it costs to produce the commodities or wares which are exchanged against one another.

Of late years, it is true, there has arisen a school — if school it can be called, in which mere word-spinning is reduced to a system — which holds that "utility," or even "desire" alone, constitutes exchange value. I shall deal with this strange aberration separately. Meanwhile, the following extracts give the opinions of those who are still reckoned the greatest English economists:

Thus, Sir William Petty says, speaking of exchange value with reference to corn:

"How much English money is this corn or rent worth? I answer, so much as the money which another single man can save within the same time over and above his expenses if he applied himself wholly to produce and make it; viz., Let another man so travel into a country where is silver, there dig it, refine it, bring it to the same place where the other man planted his corn, coin it, &c., the same person all the while of his working for silver gathering also food for his necessary livelihood and procuring himself covering, &c. I say the silver of the one must be esteemed of equal value with the corn of the other; the one being perhaps twenty ounces and the other twenty bushels. From whence it follows that the price of a bushel of this corn to be an ounce of silver. If a man can bring to London an ounce of silver out of the earth in Peru in the same time that he can produce a bushel of corn, then one is the natural price of the other; now, if by reason of new and more easy mines a man can get two ounces of silver as easily as formerly he did one, then corn will be as cheap at ten shillings a bushel as it was before at five shillings a bushel, *caeteris paribus.*"

Petty confines himself here to value in exchange as observed in the society of his own day. But by treating the subject solely from the individual point of view as

depending upon the labour of "another man," "a man" and so forth, he confuses the general issue. Also, he omits the element of the relative wealth, or ease of accessibility, of the silver ore, in the mine from which the ounce of silver is obtained, which still further affects the question of individual exchange. But he does not go back to anterior conditions of society, in which exchange as an important factor was wholly unknown, for the purpose of justifying the labour basis of value. This was left to his successors generations after his death. They use the hunters and fishers of primitive times as reasoning as to the value in exchange of their chase or their catch being reckoned upon the amount of labour it had cost them to procure their game or fish, regardless of the truth that the hunters and fishers of this or that tribe of savages had not and could not have such a conception in their minds as exchange, either upon that basis or in any other recognised form. Nothing can be more misleading than this when we consider value in exchange under social and economic conditions where exchange has become the principal motive for production in every department of human industry. But the argument that labour constitutes the main constituent of value in exchange is overwhelming even when imperfectly put.

Adam Smith's well-known passage is almost too trite to repeat:

"The real price of everything, what everything really costs to the man who wants to acquire it, is the toil and trouble of acquiring it. What everything is really worth to the man who has acquired it, and who wants to dispose of it or exchange it for something else, is the toil and trouble which it can impose on other people. Labour was the first price — the original purchase-money that was paid for all things. In that early and rude state which

precedes both the accumulation of stock and the appropriation of land, the proportion between the quantities of labour necessary for acquiring different objects seems to be the only circumstance which can afford any rule for exchanging them for one another. If among a nation of hunters, for example, it usually costs twice the labour to kill a beaver which it does to kill a deer, one beaver would naturally be worth or exchange for two deer. It is natural that what is usually the produce of two days' or two hours' labour should be worth double of what is usually the produce of one day's or one hour's labour."

And Adam Smith then elaborates this same proposition at greater length.

Benjamin Franklin estimates the value of everything by labour, general labour, and regards labour as the substance of value throughout. He says: "Trade in general being nothing but the exchange of labour for labour, the value of all things is most justly measured by labour."

Ricardo having adopted and confirmed Adam Smith's view as to the basis of value in exchange being cost of production as measured by labour for the original hunter and fisher, into whose brain the very idea of exchange had never yet come, proceeds:

"That this is really the foundation of the exchangeable value of all things, excepting those which cannot be increased by human industry, is a doctrine of the utmost importance in political economy. If the quantity of labour realised in commodities regulate their exchangeable value, every increase of the quantity of labour must increase the value of the commodity on which it is exercised as every diminution must lower it.

"To convince ourselves that this is the real foundation of exchangeable value, let us suppose any improvement to

be made in the means of abridging labour in any one of the various processes through which the raw cotton must pass before the manufactured stockings come to the market to be exchanged for other things; and observe the effects which will follow. If fewer men were required to cultivate the raw cotton, or if fewer sailors were employed in navigating, or shipwrights in constructing, the ships in which it was conveyed to us; if fewer hands were employed in raising the buildings and machinery, or if these, when raised, were rendered more efficient; the stockings would inevitably fall in value, and command less of other things. They would fall because a less quantity of labour was necessary to their production and would therefore exchange for a smaller quantity of those things in which no such abridgment of labour had been made.

"Economy in the use of labour never fails to reduce the relative value of a commodity, whether the saving be in the labour necessary to the manufacture of the commodity itself, or in that necessary to the formation of the capital, by the aid of which it is produced. In either case the price of stockings would fall, whether there were fewer men employed as bleachers, spinners, and weavers, persons immediately necessary to their manufacture; or as sailors, carriers, engineers, and smiths, persons more indirectly concerned. In the one case, the whole saving of labour was wholly confined to the stockings; in the other, a portion only would fall on the stockings, the remainder being applied to all those other commodities, to the production of which the buildings, machinery, and carriage, were subservient."

John Stuart Mill also, although with his inveterate eclecticism he so contrives that, on this point of value, one page should carefully contradict another, states in so

many words with respect to "the component elements of the cost of production" that "the principal of them, and so much the principal as nearly the sole, we found to be labour."

It would be easy to extend these extracts by drawing upon other English and foreign writers of note on political economy.

Every one of these quotations shows that all these thinkers took labour, quantity of human labour, as the basis and measure of the value of commodities when exchanged against one another. But they do not sufficiently distinguish *what* labour. They all speak of the labour as practically the labour of this or that individual, or set of individuals. There they stop.

But it is precisely at this point that the main difficulty of the analysis begins, and the great service which Marx rendered to economic science, when he published his first volume of the "Capital," more than fifty years ago, becomes apparent so soon as we fully comprehend what that difficulty was.

Commodities, or wares, when produced or exchanged, are necessarily useful, in the social conditions of the time, or they would not be exchanged. There are many things which are reckoned useful, socially useful, to-day which, under other conditions of human life, would be considered useless, or even harmful, and would not enter into exchange at all. Bad gin, heavily-boned stays, tall hats, "bosh" butter are commodities, and possess utility nowadays, but possessed utility at no other period. Such social utility is, I say, invariably assumed in all commodities which enter into the market for exchange.

When everything which marks the quality of things, the difference or similarity between two commodities ex-

changed, is removed; when hardness, softness, colour, shape, weight, size, &c., as well as social utility, are abstracted, they have still something left. A cheap suit of clothes and a quarter of wheat are about as different commodities as it is possible to imagine; yet at the time of writing (1921) they exchange, roughly, upon an equality on the London market. What, then, have the two wares in common? Precisely that, and that alone, which appears in other similar cases. They are both the products of human labour. This circumstance, therefore, it is which enables them to be reduced to a common term, to be placed on a quantitative basis, and compared with one another. Human labour applied to their production and embodied in them is the basis and measure of the relation and exchange of these two, and other similar and dissimilar commodities.

But again comes the question: *what* labour?

Here we have to enter upon a somewhat abstract investigation, and the mind of the ordinary Englishman instinctively shrinks from abstract disquisitions of any kind whatsoever. He wants something concrete, tangible, practical! It is useless to tell him that abstract inquiry lies at the bottom of nearly all the practical work done in the world: useless to point out that but for the abstract investigations of the old geometers into the properties of conic sections and the like, the art of navigation could never have attained anything approaching to its present stage of development: quite beside the mark to urge upon him that but for the abstract theories of atoms and volumes half of our present chemistry would still remain to be discovered. He may be silenced, but he is not convinced; and the abstract remains for him a nuisance to be ever avoided. Yet in this case the abstract cannot be escaped if we wish to understand.

Labour itself has two sides to it. It is qualitative and quantitative.

The qualitative side is easy to comprehend. To create value labour must be expended on producing things which are useful to the existing society. Shirts, coats, boots, iron fittings, ships, guns, &c., are all useful to-day. But obviously the quality of the labour expended on making a shirt is very different from the quality of the labour needed to produce a gun. Both shirts and guns are manifestly products of human labour, the results of the expenditure of vital human energy in labour; but of human labour of quite a distinct quality. That is all plain sailing enough.

But the quantitative side of labour, what does that mean? When, as we now commonly say, the value of commodities in exchange is determined by the quantity of labour relatively embodied in each of them, what is meant? Here we arrive at the abstract part of the inquiry, which is not so easy to grasp.

It is, therefore, necessary to begin at the very beginning. When two workers are engaged in producing two different articles such as shirts and guns, each of them is clearly exerting his own individual powers and is embodying in the product his own individual work. But something more is being done at the same time. Each worker is embodying in the commodities produced human labour on the average, and in the form of abstract, social human labour too. Each worker is expending his vital force as an individual, but he is creating value at the same time, as a social unit of a civilised society which in the main produces for exchange.

Let us consider this more closely. Two joiners set to work to make a cabinet. Here the quality of the labour is precisely the same. When finished, the two cabinets are

exactly alike. It is impossible to tell the one from the other. But the one joiner has worked with old-fashioned tools and without any machinery, thus entailing the expenditure of a great deal of labour. The other has used all the most modern labour-saving appliances; and thus his cabinet, though as good in every respect as the other, has been constructed at the expenditure of half the quantity of labour. The first cabinet, therefore, made on old-fashioned lines, does, beyond all question, contain in itself the embodiment of twice the amount of individual labour that the second contains. Yet, both being equally well made, they have precisely the same exchange value in relation to other goods on the market. No purchaser, that is to say, cares a straw how the cabinets have been made: both are the same to him. If *individual* labour measured their exchange value, the first cabinet would be worth twice as much as the second. It is really of equal value. Consequently, it is clear that it is not individual labour which is the measure of value in this case, but the quantity of social necessary labour required to make each cabinet at the time they are offered for exchange. This comes behind both the joiners, while they are at work, and determines the value of their respective cabinets in exchange, without the slightest reference to the desire or convenience of the two workers themselves.

Put in that way, the quality of the labour being identical, and the product precisely similar, it is easy enough to comprehend that the actual value in exchange of the two cabinets is dependent, not upon the quantity of labour embodied in them by either of the two men as individuals, but upon the general average social cost in abstract social human labour of producing a precisely similar cabinet. This relation of exchange can only be arrived at, as before

stated, *indirectly,* by competition and by the higgling of the market.

But change in the quality of the labour applied to and embodied in commodities by no means alters this truth. Two workers who are engaged on producing the most widely different commodities by the application to them, and embodiment in them, of their individual labour of totally distinct quality, do, nevertheless, in just the same way as the two joiners, whose quality of labour was the same, embody in these dissimilar commodities a specific quantity of simple, abstract, social human labour. And this, and this alone, it is which enables the value in exchange of these two different commodities to be measured relatively to one another and other commodities.

In short, every individual worker, whatever may be the individual quality of his labour, embodies, at the same time that he applies his individual labour to the production of commodities a definite quantity of social human labour in the commodity which he is producing.

Now we begin to understand what this quantitative labour which creates and measures value, what this simple, necessary, social human labour, in the abstract, really means. For the same reasoning, that is used above in regard to any two given commodities, applies with equal force to the production and exchange of *all* commodities, no matter how diverse their character may be. If, for instance, to take the example already cited, a cheap suit of clothes is worth a quarter of wheat: if, that is to say, a suit of clothes is of the same exchange value as a quarter of wheat, and they exchange as equal on the market, then this equality of exchange betokens that, different as the quality of labour is which is necessary to produce them, and different as are the commodities themselves when

produced, they both represent, over and above their special peculiarities, the embodiment of the same quantity of socially necessary simple abstract human labour in the one as in the other.

If, also, that equation is altered one way or the other, so that upon the average a quarter of wheat, for instance, is worth two suits instead of one, then it is clear that twice the quantity of *this* labour, this social labour, is embodied in the quarter of wheat that is embodied in the suit of clothes.

Or, to put the matter the other way. If a machine is invented which enables a suit to be made with one-half the expenditure of labour that was formerly necessary, if the sort of labour of which I have spoken as needed for making the suit is, consequently, reduced by one-half; then only one-half the quantity of labour is embodied in the suit that was formerly contained in it; and, the quantity of labour embodied in the quarter of wheat, its cost of production is socially necessary, simple abstract human labour, that is, remaining unchanged, it takes two suits to afford an equivalent in exchange value for one quarter of wheat. Similar changes in the necessary amount of labour, whatever may be their proportions, produce the like change in the relative exchange value of the whole list of commodities affected.

It is now still more clear what this quantitative labour is which measures the relative value of commodities in exchange. It is not the quantity of individual labour which is needed to produce each commodity: that may and does vary infinitely with reference to the production of precisely similar commodities. But it is the socially necessary labour embodied in them which measures their relative value; and this neither the individuals themselves, nor society at large, can *directly* test or measure in any way.

Nobody, for example, can possibly tell how much labour is embodied in a commodity by the time which any particular individual has spent in producing it.

There is not, and there cannot be to-day, any such thing as *absolute* value measured by time. All value is relative, and the value of commodities is not estimated by themselves, but only relatively to and in other commodities. This relative value is arrived at, also, indirectly, by a social process, namely by exchange, the ratio of which exchange is determined by the higgling of the market: the whole operation thus is social from first to last, equivalence being established on the average by the market dealings.

But now that we have shown how simple social human labour in the abstract comes behind each and every individual labourer in every department of trade, and determines the relative value of his individual product, in exchange with other products, without his knowing it, or being able to tell the precise result beforehand, there is still something more to consider. Here again the analysis has been rendered more difficult by the endeavours to discover an actual "unit of labour." The efforts thus made to arrive directly at estimates of value are equally foolish and confusing. There is, of course, in present conditions, no possible means of arriving at a definite, concrete, labour coin, so to say, which shall establish the value of commodities when and as they are produced. *The individual labour-time it may take to produce a commodity is, as we have seen, no test whatever of the length of social time necessary to produce the same commodity.*

Nevertheless, social labour-time does measure the value of commodities with reference relatively to one another.

How is this done?

Take the case of weight. What is weight? That we

can only explain by concrete illustrations of heavy bodies. To state that it is ponderosity does not help us a bit. Yet we know well enough what weight is by itself. Moreover, we weigh things relatively to their weight in other things. We say, for instance, that a bushel of wheat weighs 60 lbs. Pounds of what? We arrive at the fact that there is a bushel of wheat, that is 60 lbs of wheat, in the scale, by balancing it against weights of iron or other metal. When the scale is level, equality is evidenced, and the weight on each side is declared to be the same: in this case 60 lbs. But what the unit of weight is, in the abstract, we can no more tell than we could before we weighed the wheat.

In chemistry, likewise, the proportions in which various elements mix with one another were formerly stated in atoms, according to the theory which went by the name of the great chemist Dalton; and in this way gases and other chemicals were measured and, in a sense, weighed for a long time. But what was the Daltonic atom? Nobody knew and nobody knows. Nowadays, in chemistry, we deal not with atoms but with volumes. Common air, salt, carbonic acid are expressed according to the relations of the volumes of the chemical constituents which compose them. But what is a volume in chemistry? It is just as impossible to say as what constituted an atom. None the less, though we do not know what they are — any more than we can express in figures — $\sqrt{-1}$ — volumes serve the purpose of a common measure of the most diverse chemical compounds.

So it is with simple, abstract, social human labour. This labour measures for us the value in exchange of commodities relatively to one another. If less of such labour is embodied in a commodity it becomes, on the average, of

less value in exchange with respect to commodities which remain stationary in regard to the quantity of labour embodied in them. On the other hand, more labour embodied constitutes, on the average, more relative value. And this is true along the whole line of commodities.

But here the objection is frequently urged that all this takes no account of skilled labour, and that if skilled labour, or rather the skilled labourer, is employed, he produces much more value in exchange, in a given time, than an unskilled labourer will produce. That is true. But what, after all, does this mean? It means only that skilled labour is complex or higher labour, forming of itself a multiple of simple labour. A highly-skilled chronometer-maker, for instance, produces more value in exchange in a day, a month, or a year than the most expert brick-maker in the like period. All the same, however, when the chronometer and the bricks come to be exchanged they are exchanged not on the basis of skilled labour embodied in them, but in proportion to the quantity of simple, social abstract human labour embodied in them.

Again, labour itself has and *can have* no value. It only constitutes value when embodied in useful commodities. Labour as labour has no more value than weight as weight. If a man employs labourers at ten shillings a day, or at any other rate of wages, to dig holes and fill them up again, it needs no great power of mind to see that their labour has been embodied in no value, has been as we say, wasted. The labourers receive their wages, and are so much the better off; but their labour, individual or social, constitutes no value, and has no value when expended. And, but for the payment of wages, all the world would see that labour itself is destitute of value. It has and only can have value, as has been said, when embodied in useful

articles. But, when embodied in such useful articles, it is the sole basis and measure of value.

Thus the analysis has brought us round to the point where a full conception can be formed of what sort of human labour it is which measures the value of commodities.

The truth in relation to the theory of value is disguised from ordinary observers to-day by the phenomena of price. Everybody is so accustomed to look at the current market price, and to estimate the value of that which has been produced, or of that which they wish to buy or to sell, almost on the instant, by this price current, that what lies at the bottom of all the ups and downs of this special form of value is forgotten.

Time was, (and is still in some parts of the world,) when the relations of exchange of all commodities to one another were expressed in some one commodity, and yet that one commodity was neither gold nor silver. Cowries, hides, salt, bullocks, iron, copper, have all performed, and some of them perform still, the function of a medium of exchange, as well as of a standard of value, in different parts of the world. They are used in this way because they are at one and the same time useful in the existing social conditions, and embody in themselves human labour.

These commodities, however, alike as standards of value and as currency, are much too cumbrous for the needs of commerce. What is required when trade grows, and exchange becomes the dominant factor in production, is something which in itself is useful; which embodies a great deal of human labour in a small compass; which can easily be divided up into fixed weights or quantities and recombined again without loss; which is not subject to rapid deterioration; and which, on the average, maintains its

cost of production at nearly the same level over long periods.

Now, all these qualities are possessed by gold and silver to a greater extent, on the whole, than anything else. Primarily, also, they are useful commodities, and abstract, simple human labour is embodied in the so-called precious metals, in just the same way as in other commodities. Moreover, they vary in value according to the ease or difficulty with which they are procured — that is, according to the amount of labour which enables them to be obtained, and is embodied in them. Scarcity in this case, as in nearly all others, simply means difficulty of attainment: the need for expending more labour, on the average, in order to obtain a definite quantity of gold or silver. Plenty betokens, on the other hand, ease of attainment; the amount of labour required to bring to market a definite weight of gold or silver has become, on the average, less.

Evidently, if diamonds could be made by mixing up cheap chemicals in a glass of water, the value of diamonds will approximate in the long run to the cost in human labour of the product of such a simple and easy process. Diamonds are costly because they embody to-day a great deal of human labour, by reason of the amount of such labour which is of necessity expended in procuring them in Brazil, South Africa, or elsewhere. They are subject, in fact, in the long run, to the laws which govern all other commodities.

Just so with silver and gold. They are commodities, and can be used to measure the value of other commodities simply because they comprise in themselves the embodiment of a greater or less quantity of social human labour measured by time. They thus become the convenient expression of the value of their fellow-commodities. But it

must never be forgotten that as gold or silver measures the value of other commodities in the form of value which we know as price, so these other commodities themselves measure the value of the precious metals. Just as in all exchange every sale is a purchase, and every purchase a sale, according to the side from which it is viewed, so with gold and silver as measures of the value of other commodities; these other commodities likewise measure *their* value — quantity of social human labour embodied being the basis of relation and comparison in every case.

In addition to the conveniences briefly enumerated above, in using gold or silver as the standard of value, and then as currency, it is also to be noted that, as a rule, their own value fluctuates within narrow limits. The quantity of labour embodied in an ounce of gold has varied slowly. But there is nothing to prevent such fluctuations from becoming much greater. Gold itself *might* become, weight for weight, as costly as diamonds, or, on the other hand, as cheap as iron. The same with silver. History, or tradition, even tells us of a moment when the Phoenicians used anchors of silver.

Moreover, both gold and silver being themselves commodities, and dependent for their value relatively to other commodities on the quantity of labour embodied in a definite weight of each, the same rule applies to these two precious metals in relation to one another. Both may be simultaneously used as currency; but both cannot possibly be used at the same time *as a standard of value* for all other commodities. The cost of production is certain to fluctuate between them, and the one precious metal will be, and must be, a commodity in respect to the other. Gold may be the better standard of value, or silver may be the better standard; but it is manifest that two commodities whose

value varies the one with reference to the other cannot both constitute a standard of value, on a permanent basis, at the same time, no matter what laws may try to prescribe to the contrary.

When, however, the value of all commodities, instead of being estimated in one another by barter, special higgling between individuals as buyers and sellers and so on, is fixed with reference to one special commodity, which in all wealthy countries to-day is gold, then this form of value assumes a particular aspect and is known as price. The quantity of social labour embodied in definite quantities of the whole series of commodities — coats, hats, guns, bushels of wheat, diamonds, dozens of wine, &c., &c.— is expressed in a certain weight of gold, which itself represents the same quantity of social labour as these quantities of commodities each and all severally do. And gold, itself, as it is dug from out of the earth, represents a corporeal embodiment of human labour, and can thus be used to measure the value of all other commodities.

For convenience of currency it is divided into weights larger or smaller, and the stamp which the government places upon a sovereign or a twenty-dollar gold piece merely guarantees that it weighs so many grains of gold of such a degree of fineness. But this stamp, of course, adds no additional value whatever to the gold itself. That value is determined, as so often repeated, by the quantity of labour embodied in it and in the commodities, which it exchanges for, or purchases.

The cost of production of gold, though it changes less than in many other things, does fluctuate considerably at times. Thus the great gold discoveries in California and Australia from 1849 to 1851 so materially affected the relative value of gold that its purchasing power, its ex-

change ratio with respect to other commodities whose value remained stationary, fell greatly, and long and abstruse disquisitions were penned as to what might be the effect on trade and commerce of a permanent fall in the value of gold. The quantity of labour embodied in a given weight of gold having been reduced by the discovery of richer mines, the cost in labour of putting it upon the market, that is, having been greatly lessened, its equivalent value in other commodities became much smaller than it was before.

From 1849 onwards for some years there was, consequently, an universal and continuous rise of prices in all gold-using countries, which gave a great, and at first sight what seemed likely to be a permanent, impetus to trade; producers calculating that, owing to this continuous rise, they would always be able to dispose of their commodities at a relatively higher price than they had been called upon to pay for their raw materials, labour-power, &c. What actually happened will be seen later and the reasons for their miscalculation given. But during the whole period of this rise in prices, due to the relative depreciation in the value of gold, commodities whose cost of production in social human labour remained stationary exhibited no change whatever in regard to their values in relation to one another.

On the other hand, it is certain that, quite apart from the effects produced by the demonetisation of silver and the consequently increased demand for gold in certain European countries, the cost of production of gold has increased at times in comparison with its cost at another period. This had the effect, therefore, of enhancing the purchasing power of gold relatively to all other commodities. Prices have then, in fact, fallen all along the line, and have fallen continuously, producing upon the mind

the effect of a decrease of wealth, and, perhaps, to some extent, discouraging production. But in this instance, also, commodities whose cost of production in social human labour had remained stationary exchanged, relatively to one another, on the same level that they did before.

Thus it appears that, according to the greater or less cost of obtaining gold, there will be a fall or a rise in values of other commodities as measured in gold; that is to say, there will be a fall or a rise in prices all around. But this does not mean a fall in the relative values of commodities to one another all round. That is an impossibility. A general fall in prices is a matter of common experience: a general fall in relative values nobody ever saw, or can ever see.

It is scarcely necessary to say that all this has nothing to do with the so-called "value of money," as we read of it in the daily newspapers. That is only another instance of the confusion introduced by the use of the word "value" in different senses. "Value of money," as used in the money market, means that the interest which borrowers are willing to pay for the loan of sums of money for a fixed term is higher or lower. The purchasing power of gold may be very high indeed, and the "value of money," in the City sense, may be very low indeed. Or the purchasing power of gold may be very low indeed, and yet the "value of money," in the City sense, may be very high indeed. Very different considerations here come in.

Two quotations from authors who wrote at a distance of two hundred years the one from the other will, though stating the matter in a completely abstract shape, help still further to illustrate the problem before us.

Sir William Petty writes: "The earth is the mother and labour the father of all wealth." Belfort Bax says:

"The earth is formless matter, and value (in this case money) is matterless form, separated from its parent by the whole universe of commodities."

Now, price is only the money-name for value. And the "matterless form" here spoken of is that quantitative, simple, abstract, social human labour, expressed in money, which measures the value of the universe of commodities in relation to one another. Just as an individual worker, while producing a commodity, creates at the same time a definite quantum of social labour-value, so a lump of gold, when produced, expresses a definite quantum of social labour-value.

Let it be repeated once more that we cannot tell, by any process that it is possible to apply to-day, *how much* simple, abstract, social human labour is incorporated in a ton of iron, in a hat, in a dozen shirts, in a quarter of wheat, in an ounce of gold. There is no clue to this whatever in the amount of individual labour that may be necessary to produce either of them in any particular case. The time occupied by any individual worker is no test. The lump of gold may vary in value in reference to other commodities. None the less, however, the quantity of labour incorporated is determined not actually, but relatively, in equivalence with definite quantities of other commodities. This equivalence, and therefore the social minimum of time required for production, being determined by competition and the higgling of the market, and represented in the money form by the day-to-day price.

Gold, however, performs more than one duty in our society to-day.

It measures the value of all commodities in social human labour, because it is itself "the socially recognised incarnation of human labour." In this respect it forms

an actual standard of value for the whole universe of commodities exterior to itself.

It acts as a standard of price by reason of the fact that "it is a fixed weight of metal."

To quote Marx:

"As the measure of value it serves to convert the values of all the manifold commodities into prices, into imaginary quantities of gold: as the standard of price it measures those quantities of gold. The measure of value measures commodities, considered as values: the standard of price measures, on the contrary, quantities of gold by a unit quantity of gold, not the value of one quantity by the weight of another. In order to make gold a standard of price a certain weight must be fixed upon as the unit. . . . But only in so far as it is in itself a product of labour, and, therefore, potentially variable in value, can gold serve as a measure of value."

In addition, and in consequence of this, gold serves as a medium of currency for the circulation of commodities. It likewise serves as a means of payment. And, in the form of bullion, gold is used as international money to balance international trade accounts and make international payments.

In a society where goods should be produced for the general use, and labour was expended co-operatively, the whole problem of value would be turned round the other way. The question then would be: "How many hours of average toil will be needed to produce so many tons of iron, so many coats, so many hats, &c., as may be sufficient to supply all the wants of the community in respect of these different articles?" When this was settled, and the goods were available, anyone who knew the figures could tell without any difficulty, not indirectly but directly, pre-

cisely how much social labour, as measured by time, was incorporated in every useful article to be found in the communal stores. And each improvement in power of production would reduce the amount of social labour-time which it would be necessary to expend in order to produce any given article.

But we are a long way from that point yet. Our commodities, it is true, are produced for social use, into which they find their way by the route of exchange. But this production takes place under individual control, and with widely different tools, machines and appliances (whose power it is impossible for us to average) brought into play to make precisely similar articles. Consequently, the law by which the necessary average quantity of social human labour embodied constitutes value can only work indirectly and relatively, and makes its power felt at times in a very disturbing way.

Now, in considering this problem of value, it will be observed that up to the present time nothing has been said about Supply and Demand, or Demand and Supply. Nevertheless, by a school of economists which once had considerable influence, the supply and demand theory of the value of commodities was held to solve every difficulty. The errors which thus arose are by no means wholly extirpated even to-day; though they appear in a new shape, girt in a modern dress of confusing terminology, and shielded from the light of truth by a huge panoply of inapplicable mathematical formulae.

It must be admitted that the idea of supply and demand, as permanently regulating value in exchange, presents something very fascinating to the commonplace mind. The whole theory is so simple. There is nothing abstract or difficult of comprehension here. The facts adduced fit in

with our every-day experience: the deductions drawn seem an inevitable consequence from the facts.

Everybody knows, for instance, that there are frequently on the market more goods of a certain kind than the demand will cover at the old rate of exchange. When this is the case, to any considerable extent, the price of the particular commodity thus over-supplied, and its relative value to all other commodities whose supply is regulated in accordance with previous conditions, must fall, and does fall, often very heavily, more particularly if the article happens to be perishable. The sellers are anxious to dispose of their goods at some price. The buyers, soon finding out how matters stand, reduce their biddings, and so the value falls; often out of all proportion to the extent of the over-supply, and not unfrequently even below the actual cost or price of production of the articles, which are sacrificed at what are called slaughter prices. For the time being, therefore, it is manifest that supply and demand have in such circumstances a crucial influence on relative value.

Conversely, when there is a short supply of goods for which there is a brisk demand their value rises and again rises in many instances, as, for example, in the case of necessaries of life, out of all proportion to the diminution of the supply relatively to the demand. As in the former case cost of production, quantity of labour and the rest of it, is temporarily lost sight of. This time the buyers are as eager to buy as the sellers in the former case were eager to sell, and prices may rise to a phenomenal height. Here also it is manifest that, for the time being, demand and supply have a crucial influence on relative value.

But for the time being only. These are merely incidents in the ups and downs of that blind individual competition through which our present social system works to its

end. Under present conditions both sellers and buyers, both producers and consumers, are creatures of the society around them. The producer must sell what he has produced and the consumer must consume what his social position requires. On both sides of the transaction there is demand and on both sides likewise is supply. Saleable values on the one hand encounter and exchange for saleable values on the other.

But beneath all the temporary ups and downs the quantity of labour socially necessary to produce the articles exchanged regulates the permanent value in exchange. This is recognised, alike in theory and in practice, by every producer. He knows right well that what regulates the sale value of his commodity is the general cost of production in human labour of that commodity, and he is forced by competition to disregard temporary fluctuations in a constant effort to bring his own individual cost below the average level.

But let us hear what Karl Marx, who has sometimes been accused of neglecting this side of the value problem, says on the matter:

"Price is the money-name of the labour realised in a commodity. Hence the expression of the equivalence of a commodity with the sum of money constituting its price is a tautology, just as in general the expression of the relative value of a commodity is a statement of the equivalence of two commodities. But although price, being the exponent of the magnitude of a commodity's value, is the exponent of its exchange-ratio with money, it does not follow that the exponent of this exchange-ratio is necessarily the exponent of the magnitude of the commodity's value. Suppose two equal quantities of socially necessary

labour to be respectively represented by 1 quarter of wheat, and £2 (nearly ½ oz. of gold), £2 is the expression in money of the magnitude of the value of the quarter of wheat, or is its price. If now circumstances allow of this price being raised to £3, or compel it to be reduced to £1, then although £1 and £3 may be too small or too great properly to express the magnitude of the wheat's value, nevertheless they are its price — for they are, in the first place, the form under which its value appears, *i. e.*, money; and, in the second place, the exponents of its exchange-ratio with money. If the conditions of production, in other words, if the productive power of labour remain constant, the same amount of social labour-time must, both before and after the change in price, be expended in the reproduction of a quarter of wheat. This circumstance depends neither on the will of the wheat producer nor on that of the owner of other commodities.

"Magnitude of value expresses a relation of social production; it expresses the connection that necessarily exists between a certain article and the portion of the total labour-time of society required to produce it. As soon as magnitude of value is converted into price, the above necessary relation takes the shape of a more or less accidental exchange-ratio between a single commodity and another, the money commodity. But this exchange-ratio may express either the real magnitude of that commodity's value, or the quantity of gold deviating from that value, for which, according to circumstances, it may be parted with. The possibility, therefore, of quantitative incongruity between price and magnitude of value, or the deviation of the former from the latter, is inherent in the price-form itself. This is no defect, but, on the contrary, admirably adapts

the price-form to a mode of production *whose inherent laws impose themselves only as the mean of apparently lawless irregularities that compensate one another.*

"The price-form, however, is not only compatible with the possibility of a quantitative incongruity between magnitude of value and price, *i. e.,* between the former and its expression in money, but it may also conceal a qualitative inconsistency — so much so that although money is nothing but the value-form of commodities, price ceases altogether to express value. Objects that in themselves are no commodities, such as conscience, honour, etc., are capable of being offered for sale by their holders, and of thus acquiring, through their price, the form of commodities. Hence an object may have a price without having value. The price in that case is imaginary, like certain quantities in mathematics. On the other hand, the imaginary price-form may sometimes conceal either a direct or indirect real value-relation; for instance, the price of uncultivated land, which is without value, because no human labour has been incorporated in it.

"Price, like relative value in general, expresses the value of a commodity (*e. g.,* a ton of iron), by stating that a given quantity of the equivalent (*e. g.,* an ounce of gold) is directly exchangeable for iron. But it by no means states the converse, that iron is directly exchangeable for gold."

The meaning of this is surely quite clear. The fluctuations of price due to accidental conditions of the market average themselves over long periods, and the truth of the social labour theory of value manifests itself even through these very perturbations.

But of course the majority of Professors of Political Economy do not see that the above analysis is correct.

They call it "rubbish," with the illustrious Professor Flint; pass it by on the other side, while endeavouring to make use of the distinctions drawn by its author, like the still more illustrious Professor Alfred Marshall; or imagine that they have entirely crushed it into insignificance when they point out that an oak has more value than an elm, in common with that most illustrious Professor Böhm-Bawerk!

To imagine that all this is really done in good faith is to flatter the honesty of these learned gentlemen at the expense of their intelligence. But seeing that another well-known Professor actually argued with me at a public gathering against the social labour value theory on the ground that crinolines when out of fashion were of little value and were disposed of for next to nothing; thus omitting to consider that when first in fashion they sold for many times their labour value — seeing, I say, that such mental carelessness as this passes muster for sound controversy even among the intelligent, it is indeed impossible to set a limit to the ignorance of the learned.

What disguises from them the truth must, we may reasonably assume, be the difficulty already commented upon of apprehending the fact that it is social human labour which constitutes value and measures value according to the minimum of social labour time necessary, as determined by competition and higgling of the market, to produce the various commodities in our present society. Once the meaning of this simple abstract necessary social human labour embodied to-day in commodities, *under the social conditions of free competition, with individual control and for individual exchange,* is thoroughly grasped, the problem of value is solved and further analysis becomes possible. Then, too, the minor difficulty of fluctuations

of value ceases to trouble the inquirer, who sees that, to use the common illustration, they affect the basis of value no more than the waves of the sea or an exceptionally high tide influence the general sea level.

Simple abstract social human labour, to conclude with a last repetition, comes behind all individual producers and measures the value in exchange of their wares, as compared with and exchanged for other wares, quite without reference to them: they themselves perform a social function and call into being a social measure of value, at the same time that they perform their individual tasks and exercise their individual skill and capacity. When this quantity of social labour value embodied in a commodity, instead of being expressed or represented in the relative social labour value of other commodities, is expressed, in common with these other commodities, in relation to one special commodity, gold, then value takes its money name and becomes price. But this is only because gold itself is subject to the same law of value as other commodities, and can be measured in the common term with them, namely, labour.

This means, therefore, that all commodities which appear on the market of the world for exchange are estimated relatively to one another *as portions of the amount of necessary social labour exerted by human beings to produce them — aliquot parts of the social labour day, or week, or month — measured by time.* It matters not how or by whom the commodities are produced, with what tools they are fashioned, or in what scale of social development they first assume their final market shape. Whether raised or made by the highest skilled white labour with the best machinery in the United States; by civilised beings on a lower plane of economic development in Italy; by negroes in Africa; by ryots in India; or by coolies in China: once

the products themselves are on the market they, other things being equal, lose every vestige of their origin, all trace of their particular environment, during production. They are simply incarnations of quantity of social labour in various shapes, and their relative value is so measured not directly by themselves but in one another.

To sum up:

1. All exchanges are upon the average conducted on an equality.

2. The relative exchange value of articles of social use is measured wholly and solely by and through other articles of social use. The only value known to economics is this relative value.

3. Value, thus defined, is measured by the quantity of simple, abstract, necessary social human labour embodied in the commodities exchanged: this social human labour comes behind the individual producers, whatever their natural advantages or disadvantages, their skill or lack of skill, and estimates the value of their respective products in terms of other commodities.

4. Thus the value of goods is not arrived at *directly* by the time it takes in special cases to produce them but *indirectly* in relation to other goods. And their value, their ratio of exchange in relation to other commodities, is determined by competition and higgling of the market: the minimum necessary labour time being thus arrived at not absolutely but relatively.

5. The precious metals, and in our times gold more particularly, are used to estimate the value of other commodities and as universal means of exchange, because they themselves, as useful social articles, contain incorporated in them a large quantity of social human labour in proportion to their bulk, and for other reasons of convenience.

6. As commodities, whether ordinary wares or the precious metals, exchange in relation to the quantity of simple, abstract necessary social human labour embodied in them, or which it costs to produce them, measured by time, it follows that the value of commodities relatively to one another varies in proportion to the quantity of such labour embodied in them. If less labour is embodied in them, if it costs less labour to produce them, their value is less, other things remaining the same; if more labour is embodied in them, if it costs more labour to produce them, their value is greater.

7. Gold is subject to precisely the same laws as other commodities in regard to its relative value. But the value of all other commodities on the markets of the world being now estimated with reference to gold, divided into special weights of that metal, the value of all those other commodities assumes a particular form with respect to gold, the universal commodity, and becomes price. Price being the gold-name or money-name for value.

8. All prices may fall: all values cannot possibly fall.

9. Supply and demand affect value and price locally and temporarily only. Underneath the ups and downs thus occasioned, the law of measurement of value in exchange by the quantity of simple, abstract, necessary social human labour works steadily on.

CHAPTER III

SURPLUS VALUE

Having arrived at a clear conception of what value in exchange is, and the measure of such value, we are in a position to go farther and examine how riches are accumulated, and whence they are derived, in our existing society, where the system of capitalist production prevails.

Exchange means, on the whole, a transfer of equal values from one side to the other, and *vice versâ*. In such an exchange there may be great advantage derived by both parties to the transaction, but there can be no profit to either. Neither side has possession of more *value* after the bargain is completed than it had before. Supposing it to be possible to barter directly a suit of clothes for a quarter of wheat, which represents roughly an equality on the London market to-day. The one side obtains a suit of clothes and the other side a quarter of wheat, and, by our assumption, each obtains what he wants: the former, garments, the latter the means of making bread. Not only are their social desires both mutually satisfied in this particular regard, but, from the point of view of exchange value, each has obtained an equivalent, in social labour incorporated in a commodity, in exchange for that which he has parted with. Manifestly there is no profit here, though both sides are benefited by the exchange, and, the articles being used in consumption, there is an end of the matter.

Now, however, let us assume that the owner of the suit of clothes is ignorant as to the full value of his commodity,

and parts with it to the owner of the wheat for a bushel less than the quarter which he ought to obtain. The person who wanted a suit has obtained it at less than its market value; and the one who has parted with it is in possession of less food, to the extent of a bushel of wheat, than, on an equal exchange, he ought to have received. He is so much the poorer, therefore, and, having parted with his suit at less than its full value, that extra bushel of wheat will remain in the hands of its original possessor, in addition to the suit which he has acquired. But there is no increase of riches here, no accumulation of wealth, no amassing of surplus value. The suit and the quarter of wheat still remain the suit and the quarter of wheat, neither more nor less.

The same applies all round. A smart trader may get an ounce of gold, or several pounds of indiarubber, in exchange for a few showy machine-made clothes. He has good reason to congratulate himself. Nay, the ignorant savage, from his point of view, has perhaps made a good bargain; while the trader is by so much the richer man when he returns to Manchester. But we are still where we were before, from the point of view of economics. There were cheap cotton goods on the one side and gold or indiarubber on the other. The latter being made available for civilised society adds to the convenience of its wealthy members; but the savage when he comes to understand what his gold, or his indiarubber, represents as value in exchange, soon learns that he has been outwitted. He has lost: the smart trader has gained. But the total values are neither increased nor diminished.

Unequal exchange, in a word, like equal exchange, *creates* no wealth.

Nor does the use of money affect this truth in any way,

though it may and does serve, in some cases, to obscure it. Whether too high a price or too low a price is paid for a commodity — whether too much or too little money value is given in exchange for it — this only concerns the purchaser and the seller, in the same way as if the unequal exchange were made with another commodity, instead of with the universal equivalent, or exchange commodity, money itself. There were so many sovereigns, or gold dollars, on the one side, and so much of useful goods on the other. In whatever proportions they are exchanged there is no increase of wealth, and no possibility of greater social accumulation. Before as after the exchange there are the same number of sovereigns and the same quantity of goods. Money, used merely as a medium of exchange for equal or unequal values, of itself engenders no increase of wealth whatever.

All this is so obvious that it would be quite needless to insist upon it, but for the fact that by uneducated people, as well as by those who ought to know better, it has often been assumed that riches are somehow created by the equal exchange of commodities.

Now, when men and women worked as chattel slaves for their master, the great land and slave owner of antiquity, or when they worked as serfs for the feudal lord so many days in the week without payment, there could be no doubt as to the origin of the wealth which the Roman noble, or the French seigneur, acquired. The slaves, as well as their product over and above their keep, both belonged to the great proprietor of ancient days, and the increase of his wealth was due wholly and solely to their labour.

The produce of the serfs, too, when it went into the granaries or storehouses of that most superior person, the baron or abbot of old times, belonged to him, in like man-

ner; and his wealth was increased in the same way, though now the serfs went with the land, instead of being bought and sold as loose chattels. In both these cases there was, I say, no illusion whatever in regard to "organisation of labour," "rent of ability," "invention or application of superior tools or machinery" as the cause of the wealth of the great man at the top. He took the useful things which his slaves or villeins made, or raised, or extracted from the mines, for him, allowing them to eat and drink and be clothed with just so much as rendered them efficient agents to provide him with what he wanted.

There was no cant of beneficence, no pretence of "economic harmony," about all this. The improvements in methods of production, such as were made, told, as a matter of course, to the advantage of the proprietor of the slaves and the land.

To-day, however, in the great civilised nations of the world, there are neither slaves nor serfs left. All the workers are supposed to be free men — free and equal men in such countries as England and America. But free as they are in England, at any rate, all the great means and instruments of production and distribution, including the land, are in the possession of one class; and there is another class of perfectly free people whose drawback is that, practically speaking, they possess no property — excepting only one commodity.

Such are the necessary and inevitable social conditions in which alone capital can become the dominant power in production. And the one object of the owners of capital is to obtain a profit by its employment: to realise by production of commodities all that they had before and something more.

But how does it come about that the capitalist class suc-

ceeds in making a profit? How is it that, with neither slaves nor serfs at command, members of this class contrive to pile up wealth to an extent which the greatest slave-owner or the most powerful baron could never reach? They cannot do it by equal or unequal exchange; for, as we have seen, these of themselves can engender no increase.

Neither is it as compensation for risk run that society at large thus permits them to amass large fortunes. Individual capitalists run a risk, no doubt, by reason of the competition of other capitalists; but the whole class of capitalists runs no risk whatever. Their property increases as a class, irrespective of the bankruptcy and ruin of individuals of their class, as can easily be seen by comparing the statistics of wealth in all civilised countries.

The fact remains, therefore, that, without gain by exchange, without compensation for risk, and, in numberless cases, without the slightest social service on their part — with far less of social service, indeed, than even a Lucullus rendered to Rome — they obtain vastly increased wealth.

Now money itself only becomes active capital when it is used to buy raw materials, tools, machinery, coal, oil, and so forth for the purpose of using them in production. All these are bought as commodities on the market at their market value. The completed product is sold afterwards, and the capitalist has realised a gain. He started with money to the amount of say, £100, and, after paying all expenses, he finds himself at the end of the transaction the happy possessor of £110. Whence comes this additional £10 in money, over and above his original £100?

The capitalist has bought with his money the various commodities he needs for production, at their cost of production as expressed in simple, abstract, necessary social human labour embodied in those commodities. He still

requires human energy to transform these commodities into the complete commodity in which he himself specially deals. He has no slaves — he would be shocked if anyone proposed to him to buy some; he controls no serfs — he thanks heaven that feudalism was swept away long before his day; but, conveniently for his operations, and without his having had any say in the matter, there stand just outside his factory door a crowd of men and women who are anxious, nay, eager, to place themselves at his disposal for a fixed time in return for agreed pay — that is all right: he rubs his hands at having to deal with genuine free people, instead of slaves or serfs, and in they go to work for him.

But what is this last purchase the capitalist has made, and what is it that these free people so gladly sell to him?

Here, again, it is necessary to enter into a brief abstract investigation. What is the one commodity, the sole property, which the free and enlightened citizens, who possess neither land nor capital, either as individuals or as a community, have to sell? The common answer is "labour." But, as we have already seen, clearly, labour has, of itself, no value at all. Labour has value only when embodied in useful commodities. The difficulties arise from a loose use of language. What the free human beings without property are so anxiously trying to sell is therefore not labour but their power to labour. This is the important commodity which they have to dispose of to the benevolent "organiser of labour" or "captain of industry," who, in the course of his business, has only the decent desire to make a wholesome profit for himself.

But power to labour, or labour-power, which means the capacity to embody simple, abstract, necessary social human labour in commodities, is by no means a good commodity

to have as one's sole exchangeable possession. This labour-power, though it be itself the sole-value-creating entity, is not a good commodity to deal in, I say. To begin with, it won't keep. Its owners, therefore, cannot hold it for any length of time for a better market. Its value depends upon the physical and mental vigour of its sellers, who must eat and drink adequately from day to day. If, consequently, they don't come to terms with some one or other of the capitalist class, hunger begins to tell its tale, and their labour-power loses at once a portion of its saleable value.

But this commodity, this labour-power, though it is a function of the human being, exchanges on the average, like any other commodity, in relation to its cost of production. Moreover, it exchanges on an equality in that regard. Labour-power, therefore, exchanges, or is bought by the capitalist, on the same lines as he has bought all his other materials of production. That is to say, he buys labour-power as a commodity at its cost of production, as measured by the quantity of social human labour embodied in the food, raiment, house-room, fuel and other materials which go to create it and keep it in order without deterioration. Labour-power, therefore, is bought at the cost of subsistence, or according to the standard of life, of the workers who sell it, which varies in different trades and in different countries, but always tends to approach the mere subsistence level.

This is what their wages paid in money really represent: this and nothing more. And it is precisely this payment of their standard of life, or their cost of subsistence, in the shape of money-wages, which disguises from most of the vendors of labour-power, the workers namely, the whole

scope of the transaction. "What should we do without the rich and the capitalists?" is a phrase by no means confined to the educated and well-to-do.

This labour-power, so bought as a commodity on the open market, at its cost of production, by payment of wages equivalent to the standard of life of the human machine that can expend and apply it, embodies more value, however, in useful commodities, during the time of production, than it costs in wages. This is a very remarkable peculiarity in the commodity, and it is the one from which the capitalist derives his profit. None of the other commodities which he purchases, for the productive operation on which he is engaged, do anything for him in this way. But labour-power does. The capitalist here buys a commodity which returns to him all the value he has parted with in the shape of wages, and a surplus value in addition thereto.

But, before examining more closely into the phenomena which accompany the creation and appropriation of this surplus value, let us see once more what labour-power and labour are. It is a remarkable fact that the truth to which our inquiry has conducted us can be verified in actual practice. We commonly speak of "cheap labour," as if, when low wages were paid, a really cheap article were always purchased by the capitalist. But experience has shown that in cases where low wages mean that those who receive them have an inferior physique, or live on a lower scale of subsistence, there is often, or even as a rule, no real gain to the capitalist. The late Thomas Brassey, the contractor, discovered, as set forth by his son, that the cost of carrying out works in countries in which wages varied greatly was not very different, and that the preference, so far as profit to himself was concerned, was in

favour of those countries where the rate of wages was on the average highest. My friend, Mr. George Collins Levey, who has had buildings constructed in many different capitals, discovered that their cost was in all cases nearly the same, the cheapest being probably those set up in America where wages were highest.

The Indian coolie, who is paid a ridiculously low rate of wages, gives in India no more than the value of those wages, in comparison with the more highly-remunerated work of the European. But the same Indian coolie in Demerara, where he lives on a higher scale, is a more valuable labourer than the more muscular negro. We can observe the like contrast in England. The agricultural labourer in Wiltshire and Dorsetshire, who used to get about 9s. to 11s. a week, was of the same race as the Cumberland hind who received as much as 18s. or 19s. a week. But a farmer who knew his business would rather have paid the latter man, with his higher standard of life, the higher wages than his fellow of the Southern counties the lower. He was a cheaper man at the money.

Another illustration may be drawn from Texas. There a man I knew was once employing a number of American workers to do some more or less unskilled work at two dollars, or eight shillings and fourpence, a day. They struck for two dollars and a half, or ten shillings and sixpence, a day. There were some Italians unemployed at the time who were willing to take the job at a dollar a day. My acquaintance, who had theories on the subject of the quantity of labour embodied in relation to the standard of life, agreed to pay them a dollar and a half a day, on condition that he should supply them with, and they should eat, the same food as the American labourers who had left him. He told them further that as soon

as they were worth two dollars a day, after the first six weeks' work, he would pay them at that rate. Within the six weeks, the Italians, as a whole, were doing nearly as good work as the Americans, and within two months all were being paid two dollars a day. They were well worth it to their employer, you may be sure, who was no philanthropist at all.

The above examples all apply to what is known as "unskilled labour," but similar illustrations can be drawn from the field of "skilled labour." In nearly every case the higher wages, accompanied as they are by a higher standard of life, represent a proportional, or more than proportional, quantitative embodiment of simple, abstract social human labour in commodities.

This goes to show, therefore, that labour-power, selling or exchanging for wages, in relation to its cost of production or standard of life — the simple, abstract, necessary social human labour embodied in commodities — is no mere creature of the imagination but an actual force for the crystallisation of social human labour in commodities, under the most varying conditions of country, climate, race and rates of payment.

To return to the purchase and sale of labour-power, and the surplus value thus created and appropriated by the capitalist.

It matters not what branch of manufacture or production is taken, the analysis is the same. Cotton-mill, ironworks, mine, farm, they are, one and all, from the capitalist point of view, not the means and instruments for creating useful articles for the benefit of society but so many methods of obtaining profit. It is for this reason, and this reason alone, that, having capital in the form of

money in his possession, the capitalist buys his means of production, including that commodity without which all the rest would be of no avail — labour-power — and sends out his own completed commodity into circulation. In this way, and in this way alone, can his £100 which he has expended return with an additional £10 into his possession. And this labour-power, as said, is purchased at its cost, as represented in the quantity of social labour in commodities necessary to ensure its owner's subsistence. Whatever this may represent on the market of the day in money value, that is the value of his labour-power: the value being arrived at, as with other commodities, not directly but indirectly, by way of exchange, and determined by competition on the market.

Now, Marx supposes in the case he deals with that the value of the total daily cost of a labourer's subsistence is represented by an amount of food, fuel, raiment, house-room, etc., equal to what could be produced by half-a-day's social labour. And if, on the same assumption, six shillings in money is the equivalent of this half-a-day's social labour, then the cost of the reproduction of the labour-power purchased is six shillings. Consequently, the labour-power which the capitalist buys is well and truly paid for by six shillings a day. That is to say, the use of the labour-power of the labourer for a whole day is bought by the capitalist for the equivalent in money of half-a-day's social labour; and in paying this he has paid its full market value as a commodity.

There is no mere assumption here. If we add up the total cost of a labourer's subsistence at the present time in social labour, which means, of course, the amount of social labour embodied in those things which are needed

to keep his labour-power in its normal condition, we shall discover that in the majority of cases they reach less than half-a-day's social labour.

Moreover, the worker gives the capitalist credit for his commodity. He advances his labour-power to the monied man, only receiving his wages at the end of the day, week, or month, for which he engages to sell it at the agreed price. This fact, which we see verified all around us, and the fact already noted that labour-power itself cannot be kept in good order without immediate sale by its owner, show that the sole commodity owned by the workers is always sold at a disadvantage. This becomes still more apparent when an employer goes bankrupt and wages are not paid; or when accident, or social causes, lead to a stoppage of trade.

We have seen that in the ordinary business of capitalist production the capitalist buys all his materials at their market cost, the machinery, in the case of manufacture, being provided beforehand. His expenditure is thus divided:

General	Cotton Industry	Iron Industry
Raw Materials	Cotton	Iron Ore
Incidental Materials	Oil, Gas, Packing, etc.	Fluxes
Wear and Tear of Tools and Machinery	Depreciation of Machinery, Buildings	Depreciation of Furnaces, Mills, etc.
Coal	Coal	Coal
Wages	Wages	Wages

Farm	Mines
Seed	Here Raw Material is also Product
Manures	
Wear and Tear of Tools, Barns and Horses	Wear and Tear of Tools
Wages	Wages

The product in each case, of course, sells on the average

for all that it has cost and more. If this were not the case the capitalist would cease to produce, seeing that his object is simply and solely to make profit for himself. When profit ceases he does, in actual experience, cease to produce, regardless of the interests of others.

When, therefore, the capitalist buys labour-power he does so because it comprises that most convenient property for him that, when expended in his service, it adds more value to the commodity than its own cost of production. The assumption, in the case taken for an example, is that the cost of the labourer's subsistence is half-a-day's social labour, or in money-value six shillings. This is the sum for which he sells his labour-power to the capitalist.

But he sells his labour-power not for half-a-day, or four hours, but for a whole day, or eight hours. Consequently, after the wage-earner has returned to his employer the full value of his wages in the shape of labour embodied in useful commodities during the first four hours of his day's work he continues to toil for another four hours which gives an equal amount of value, or six shillings' worth in money; this the employer takes and divides up with others. That is an example of how surplus value is obtained, and the four hours of work over and above the wage-earner's wage constitutes so much unpaid labour — labour, that is, which the worker is bound by his agreement to embody in commodities for his employer but for which he himself receives nothing.

This surplus value, however, is embodied in the surplus of commodity-value produced, and is in the possession of the capitalist before it is exchanged (with the rest of the product) and converted into money.

Obviously, the same applies in the like manner to a seven-hour day, or a six-hour day. If the value of the

wage-earner's standard of life is represented by half-a-day's social labour, then, manifestly, he works in each case three-and-a-half hours, or three hours, for which he receives no payment. And out of this surplus value so extracted, this unpaid labour so obtained, embodied in goods for exchange, the landlord, the income-receiver, the commission-agent, the profit-monger, the banks and so on, all obtain their share. Not, however, that the amount of surplus value relatively to wages, or of unpaid to paid labour, is generally so small as this. On the average, the rate of unpaid to paid labour in a country such as England is nearer two or three to one, than one to one as in the above illustration. That is to say, the worker, for every hour he works for himself, works two or three hours for the benefit of other people, who may or may not do any useful social work at all.

One day, in the first year or two of the movement here, I was lecturing on this special point to a working-man's Radical club in London. Many present scarcely followed the argument, and some of the criticism was silly enough. But, by-and-by, there arose a man who threw some light on the discussion. "To me," said he, "the whole thing is clear enough. I am a worker in iron. Iron comes into our shop at 3s. the cwt. I myself receive 6s. a day as my wages. After I have worked on the iron with the machinery at my disposal for *half-a-day*, what comes into the works at 3s. a cwt. goes out at a sale price of £1 the cwt., sometimes more, sometimes less. Put what you please down for wear and tear of machinery, coal, oil, lighting, &c., it is evident that the difference of 14s. between what the iron costs in wages and raw material, namely, 6s., and the price realised, that is £1, leaves a fine surplus value

for somebody. I for one shall see more plainly in future how my labour is filched from me."

This, indeed, is no exceptional case; for, making all possible allowance for incidental materials, wear and tear and so on, the cost of the cwt. of finished iron to the employer could not have been more than 8s. all told. Here, therefore, the surplus value would be twelve shillings, and the rate of unpaid to paid labour as 12 to 3, or just 4 to 1. Consequently, the worker was day by day doing four strokes of work for others against one for himself, or for every hour he worked for himself he worked four for others.

Now there are three ways in which the amount of surplus value extracted from the workers may be enlarged by the capitalist:

1. By increasing the actual number of hours that the worker toils. Clearly, assuming that the work done is equally good — as it is, up to a certain point — and that the capitalist is quite indifferent to the health of his wage-earner, as he nearly always is, knowing that there are plenty more where he came from: on these assumptions and within certain limits, the longer the hours, the greater the quantity of unpaid labour, the larger the amount of surplus value obtained by the employer. Thus, if the wage-earner replaces the cost of subsistence as represented by his wages by working half-a-day, when the day's work is eight hours, the employer gains four hours of unpaid labour for the services which he renders as an organiser of labour; he himself, that is, and those who take under him. But now let him extend the day's work from eight to nine hours, and he appropriates five hours of unpaid labour instead of four. Let him protract the day's work still fur-

ther to ten hours, and he has six hours of unpaid labour to the good instead of either five or four.

Consequently, all through the capitalist period, it is found that employers have been invariably anxious to increase the number of hours in the working-days; and have bitterly resented any attempt to restrict the hours as an injustice not only to themselves, but to the community at large. Such extension of the hours of labour is, within certain limitations, an absolute increase of surplus value in every case.

2. But there is another way in which the same result may be brought about. The result, namely, that the quantity of unpaid labour appropriated by the capitalist is increased in comparison with the paid labour of the wage-earner. This is by the reduction of the cost of his standard of life, as measured by the amount of social labour necessary to produce it or embodied in it. Which again is to express the reduction of its money-value. For example, the standard of life for a particular section of wage-earners is represented by, say, six shillings a day. Let us now suppose that bread, bacon, clothing, rent, &c., fall to such an extent that five shillings will purchase as much as six shillings did a little while before. Then, competition and other circumstances remaining the same, the workers will be as content with five shillings a day as they were previously with six shillings. The cost of production of their labour-power has fallen to that level, and competition will bring down their wages in like manner. Consequently, in this case, the employer who before got four hours unpaid labour out of a total labour day of eight hours, the worker replacing his wages in four hours out of the eight — this same employer, I say, will now appropriate upwards of four-and-a-half hours of unpaid la-

bour instead of four, seeing that the worker replaces his five shillings in wages in the first three-and-a-half hours' work instead of four.

This was the reason, and not any philanthropic motive, which induced the capitalists of Great Britain to agitate so desperately for free-trade in food-stuffs as against the cry of the advanced Chartists for nationalisation of land and machinery. Cheaper food meant and means additional hours of unpaid labour to the employers of Lancashire and Yorkshire. The other incidental advantages of free trade they cared nothing about.

3. The third manner in which surplus value may be and is increased is purely relative. That is to say, the number of hours worked remaining the same, and the standard of life or wages continuing unaltered, a change in the conditions of labour may bring about the same pleasing result, in the shape of increased surplus value, to the capitalist. This means that the rapidity and efficiency of the machinery is increased, and more work is thus compressed into the same number of hours. Suppose, now, that the day's wages remain at six shillings, but the speed of the machinery is increased fifty per cent. What happens? This: that it only takes the worker two-thirds of the number of hours that it did before to replace the value of his wages. Taking the day's work still at eight hours; instead of four hours being required to replace the worker's wages, two and two-third hours only are needed to do this, and the capitalist takes more than five hours of unpaid labour out of the eight instead of four.

Such intensification of labour by improved machinery, like the extension of the working-day, can only be carried on, profitably to the employer, up to a certain point. Beyond that point exhaustion of the "hands" begins, and the

capitalist loses in breakages and bad output what he apparently gains by greater speed.

It is needless to speak here of adulteration and short measure, as a means of increasing surplus value. That is, of course, merely a common fraud, which, though considered by capitalists of the highest moral character only "a legitimate form of competition," is no better than cheating at cards, uttering false coin or bank-notes, forging cheques, or any other kind of recognised, but illegal, swindling. That nearly all goods produced for profit today should be adulterated is a measure of the utility of the capitalist system of production. With its morality I have nothing to do.

Labour-power is thus, as we have seen, sold like other commodities on the market, its value being regulated, similarly to theirs, by the amount of social labour embodied in the cost of its production, which in this case is the total subsistence of its possessor. Moreover, the value of labour-power is also determined not directly but indirectly, and the equivalence of the exchange is arrived at by competition and the higgling of the market.

Hence, though the value of labour-power to its possessor is settled in its respective grades by the cost of production, it is also subject to fluctuations — that is, wages in the same trade may rise or fall — according to the supply or demand of this special value-creating commodity at different times.

It is the special object of trade unions to maintain the rate of wages in each trade, whatever may happen, at such a level that, when in employment, the worker is at least sure of getting a decent subsistence. But, in spite of all their efforts, the influence of this cause in determining wages is severely felt. Ever since the capitalist method

of production became dominant, and even for some time previously, as the system of production for profit gained strength, a large fringe of unemployed, or casual, labour has been an inevitable necessity. The ups and downs of trade, the causes of which I shall examine later; the continuous introduction of improved machinery and chemical inventions, lessening the number of "hands" needed to produce a given amount of commodities,— have resulted in an almost permanent over-supply of labour-power on offer in all civilised countries, save during periods of exceptional prosperity.

As a result, there is frequently weighing upon this particular market a mass of more or less dimensions of unsold labour-power, ready to be absorbed in periods of great inflation for the profit of the capitalist class, but thrown out again into worklessness and starvation for its owners on the first recurrence of stagnation. All the phenomena of demand and supply in relation to other commodities, glut and scarcity, low prices and high, are to be seen in relation to labour-power: the only difference being that this commodity happens to be incorporated in flesh-and-blood, which, as before remarked, makes the necessity for its daily sale by so much the more pressing.

Reference has been made above to the relation which paid labour bears to unpaid labour in one or two special cases, and how changes are made in favour of the capitalist without any important alteration in the method of production itself. Now, in producing any manufactured commodity, it appears that there are generally the following necessary constituents to be bought and expended by the capitalist: raw materials, incidental materials, and, lastly, labour-power. To these must be added the wear-and-tear and deterioration of machinery: such deterioration being

due, not merely to time and use, but to relative inferiority, owing to the introduction of better machines of which account must be taken.

The value of raw materials, however, as value, neither increases nor diminishes during the course of the manufacturing process.

The value, the social labour value, that is, embodied in the raw cotton, wool, leather, iron or other material bought by the capitalist on the market reappears as the same value and no more in the finished commodity. *It is a constant quantity throughout the whole process from first to last.*

The value of the incidental materials likewise makes its appearance again in the finished commodity, neither increasing nor diminishing in value during the operation. The value of the oil, gas, coal, etc., used up in manufacturing the raw materials is embodied at their cost in the finished commodity. So much and no more.

So, also, with the value of the machinery: this finds its way, whether in ten years, fifteen years, or more, into the commodities, but of itself creates no additional value whatever during the process. The wear-and-tear reckoned at, say, 10 per cent., represents the gradual incorporation of the value of the machinery in the finished product. But this, too, is a *constant* value, which neither expands nor contracts during the period of its absorption in the commodities produced.

All these three portions of the total value may therefore be classed as constant capital: that portion of the capital, namely, whose value remains the same at the end of the process that it did at the beginning. With the cotton, the wool, the iron, the leather, the *form is changed;* but the *value* of the raw material, to start with, remains the value of the raw material in the finished commodity

— in the yarn, or the cloth, or the boots, or the finished iron.

But now, lastly, we come to the labour-power purchased. Here the case is different. Not only does the value of the labour-power, its cost in wages to the capitalist, appear in the finished commodity, but an additional value as well. This particular material, labour-power, does, in functioning, give off to the finished commodity more value during the process of production than its cost, to start with, represents. It is not a constant but a variable form of the capital employed. It reproduces its own value and a surplus value as well, which costs the original seller of the labour-power toil and expenditure of vitality, but costs the capitalist nothing.

Splitting up any finished commodity into its component parts or value, we have, therefore:

CONSTANT CAPITAL — The value of raw materials, incidental materials, wear-and-tear, etc.

VARIABLE CAPITAL — Wages paid to work-people.

SURPLUS VALUE — The value added during process of manufacture by the unpaid labour of the workers, after they have replaced their wages by labour-value embodied in the commodities which they produce.

I give Marx's own illustration of how this works out in relation to a cotton factory, although the figures are very different indeed from those of to-day:

"First, we will take the case of a spinning mill containing 10,000 mule spindles, spinning No. 32 yarn from American cotton, and producing 1 pound of yarn weekly per spindle. We assume the waste to be 6 per cent. Under these circumstances 10,600 pounds of cotton are

consumed weekly, of which 600 pounds go to waste. The price of the cotton in April, 1871, was 7¾d. per pound; the raw material, therefore, costs in round numbers £342. The 10,000 spindles, including preparation-machinery and motive-power, cost, we will assume, £1 per spindle, amounting to a total of £10,000. The wear-and-tear we put at 10 per cent., or £1,000 yearly — equal to £20 weekly. The rent of the building we suppose to be £300 a year, or £6 a week. Coal consumed (for 100 horse-power indicated, at 4 pounds of coal per horse-power per hour during 60 hours, and inclusive of that consumed in heating the mill), 11 tons a week at 8s. 6d. a ton, amounts to about £4½ a week; gas, £1 a week; oil, etc., £4½ a week. Total cost of the above auxiliary materials £10 weekly. Therefore, the constant portion of the value of the week's product is £378. Wages amount to £52 a week. The price of the yarn is 12¼d. per pound, which gives for the value of 10,000 pounds the sum of £510. The surplus value is therefore, in this case, £510 — £430 = £80. We put the constant part of the value of the product = 0, as it plays no part in the creation of value. There remains £132 as the weekly value created, which = £52 var. £80 surpl. The rate of surplus-value is, therefore, $^{80}/_{52} = 153^{11}/_{13}$ per cent. In a working-day of 10 hours with average labour the result is: necessary labour = $3^{3}/_{13}$ hours, and surplus labour = $6^{10}/_{13}$."

When once this division of industrial capital into constant capital, variable capital and surplus value is grasped, the second great step is taken in the analysis of the capitalist system. It is indeed easy to apply the formula in all trades. The only portion of the theory which is at all difficult to understand, by those who have already mastered what value is, consists in the manner in which machinery

contributes its share of value to the product. Improved machinery so obviously enables its possessor to get the better of competitors, in the rough-and-tumble of mercantile strife, that many think the new machinery itself contributes greater value to the commodity than the old appliances. Of course, precisely the opposite is true. I mean that improved machinery, by enabling commodities to be produced with a less expenditure of social human labour than was previously necessary, tends to reduce the relative value of similar commodities put on the market, with the aid of this machinery, or without it, below the former level.

The only value which the machinery adds to the commodity during the process of manufacture is, therefore, as said above, the value of its own deperishment, with the cost of repairs and so on. This does not take place all at once, but is spread over a term of years. So that a large portion of the value of machinery, which has been for any length of time in use, is actually circulating in the form of commodities, or has been worn out, with the wearing-out, or consumption, of those commodities, although the machinery itself may still be clanking away in its old habitation to the old familiar tune. The actual physical deterioration, in addition to its moral and mater. . deterioration, relatively to other still better machinery since introduced, has been represented in the exchange value of the commodities as they were thrown upon the market. True, its form is fixed, but its spirit — in the shape of its value — has to some extent flitted away, and has gone into the commodities which it has been partly instrumental in producing.

The machinery itself and all the improvements which can be made in it are also directly social products. But

for the work, the discoveries, the inventions of countless generations of human beings, not a single improvement of the many on which our present society plumes itself could have been made. Nay, more, unless society were in a condition to take advantage of the modification in the method the improvement would itself be useless. Steam, electricity, artificial manure, automatic machinery, machine-making machines are all of them as much social products as the commodities produced with a view to profit and placed upon the market for exchange.

The private ownership of capital, in the shape of the means and instruments of production and distribution is also, as we have seen, as much the result of a long series of historic and economic developments as the private ownership of the soil. These developments have resulted in an intricate network of social conventions, based upon class appropriation and ownership, by reason of which the members of certain classes possess everything as individuals, and the members of the other, the wage-earning class, possess nothing but their labour-power. This social cleavage once effected, all the discoveries, inventions and improvements, no matter by whom they were made, go into the possession not of the community but of the capitalist class. They belong, henceforth, to individuals or groups of that class, to the exclusion of the working-class altogether. This has been going on for so long that the arrangement seems not only legal, which the dominant class has taken good care to make it, but natural, proper and inevitable. These discoveries, inventions and improvements, therefore, become the property of the purchasers of labour-power, and are used by them *against* those who own this labour-power as their sole available commodity.

The capitalists use this advance of society, due to in-

dividuals who are themselves the product of that society, and who owe their faculties to their begettings and surroundings from birth, to repress the demand of the workers for better conditions of life; at the same time that, in the majority of cases they take good care to deprive even the discoverers and inventors of any considerable share of the profits reaped by their aid. Thus it comes about, for example, that when the wage-earners, owing to any cause, obtain some considerable increase of their wages, involving a rise in their standard of life, labour-saving machines, or inventions, are adopted which render superfluous a certain number of the workers, and turn them into necessitous competitors for employment with those who still remain at work.

Such improvements in our progressive society are always at hand and awaiting acceptance by the dominant class of our day. But the object of that class is not to save expenditure of labour, not to produce more useful articles with less of toil for the working community. Not at all. Their sole and only object is to increase the quantity of labour-value which they can appropriate without paying for it: to enhance their total profit, that is to say. Consequently, if wages are sufficiently low in proportion to the total labour-value produced in any department of industry to satisfy the capitalist class engaged in that trade, no employer will think of "locking up his capital" in improved machinery. He prefers the simpler plan of extorting surplus value out of the underpaid hands at his command. In this he may calculate correctly enough, seeing that his sole end and aim, like that of other employers, is not to save labour, or to economise toil, but to save wages and economise his own individual expenditure: this as compared with the amount of commodities or in-

corporated social labour-value which he appropriates, leaving so much more surplus value to him.

Hence it happens that the capitalist system of production, in its greed for surplus value, not unfrequently heads back progress. And we have seen, in such examples as the nail-makers of Cradley Heath, the brickmakers of Staffordshire, and elsewhere, the using of women to tug barges along canals, that the introduction of improved machinery is positively fought against and resisted by the extremely low wages paid, the long hours worked, and the using up of the workers as mere food for profit-making.

Now, if surplus value were extracted only out of grown men, the resistance which might be experienced would tend at times to become dangerous. But capitalist arrangements at first made full provision against that. During the period of the complete and unrestrained domination of the profit-making system, women and children were brought in to aid improved machinery in keeping the demands of the workers within what employers chose to consider were reasonable limits — limits, namely, that coincided with what they regarded as the appropriation by themselves of satisfactory quantities of surplus value.

But the effect of the introduction of women's and children's labour-power into the market in competition with that of the men was two-fold. In the first place, they were more docile and less apt — in the case of the children, practically unable — to complain of excessive toil; thus affording to the capitalist a supply of his most important commodity under exceedingly favourable conditions for him.

In the second place, the employer was in this way provided with the most convenient engine of competition to keep down his wages-sheet that could possibly be. For,

under the law which regulates the rate of wages, or standard of life, in any trade, a man earns the usual wage in that trade; such wage being taken to cover his own subsistence and that of his family. But when his wife and children are brought into the market also, with their labour-power likewise pressed for sale, then competition reduces the average wage of the whole family to the point which would have been the wage of the man alone.

Thus, apart altogether from the mischief done to the community by the overwork of women and children — mischief going on at this day, and by no means wholly remedied, as some think, by the Factory Acts — apart from this, I say, a man's foes become literally they of his own household. Although, of course, this was not discerned at first, and too often is not seen now by the workers themselves. Yet, whether they see it or not, the more strict organisation of labour, which the capitalist class has been and is thus able to secure, and the increased competition arising from this cause, tend to depress the economic status of the men, in spite of the apparent gain of the wife's and children's wages at the end of the week.

Throughout all this period of perfect personal freedom, which, as will be seen here and later, it is so difficult to distinguish from competitive anarchy, the labourer uses his labour-power as a commodity to be exchanged like any other commodity, at the cost of the quantity of labour embodied in its production — food, clothing, house-room, &c.

To the capitalist engaged in the process of production this same labour-power represents only one of the elements of the productive process, and is that one of those elements out of which he squeezes his surplus value: the margin of value from which he derives his own personal profit after dividing with others who participate.

Here we can see at once how absurd it is of Adam Smith, and those who follow him, to speak of the wage of the labourer as part of the *income* derived from production, the share of the labourer in the joint work with his partner the capitalist. It is nothing of the sort. The labourer's wage is the purchase consideration paid for the labourer's sole and only commodity, labour-power, without which the employer would be wholly unable to make his capital fructify and engender surplus value. Adam Smith himself, in a way, contradicts his own statement when, elsewhere, he declares that employers are in a continual conspiracy to keep down the rate of wages.

Out of this surplus value and its concomitant arrangements a bitter class antagonism necessarily springs. From the earliest days of the development of machinery, and more especially during the period of the growth of the great factory industry, the workers were conscious that these new powers were being used to render them more dependent upon the dominant class, to shake the continuity and security of their employment, and to reduce the rate of wages in all well-paid employments — such as that of the weavers prior to the introduction of the power-loom. But, unfortunately, they attacked, in many cases, the machines themselves, or struck against their employers at great disadvantage. The class war brought about by economic causes existed still, and possessors of the labour-power which the capitalist was compelled to buy were continuously at the mercy of the owners of the means and instruments of production.

By slow degrees, conscious interference took the place of unconscious revolt, not with a view to reduce the quantity of surplus value appropriated by the capitalist class, but on

ethical grounds and in order to save the people from permanent deterioration.

Nevertheless, protection of women and children has so far been quite half-hearted; shorter hours have been accepted more because it is not economical with the best machinery to work longer, and because of the growing power of working-class combinations, than from any consideration for the well-being of the hands. To-day as throughout its history capital has no ethic. It accepts sullenly and after bitter resistance any restriction whatever upon its inherent right to buy in the cheapest and sell in the dearest market, irrespective of any consideration other than pecuniary gain. That labour-power happens to be embodied in human creatures, and cannot be bought without taking them over at the same time, is for the capitalists an inconvenient accident.

It is clear that to the workers *as a class* it is of little importance how the amount paid to them for subsistence is divided up. No doubt, it made a great deal of difference to the individual worker and to his wife and family whether the wages coming in at the end of the week were represented by the sum of 9s. or 10s. formerly paid to the agricultural labourer of Dorsetshire or Wiltshire for his hard but inefficient toil; or whether they were represented by the sum of 30s. to 50s. paid to the stalwart navvy, or gasworker, or engineer, or skilled compositor, or electrician for their vigorous toil or highly-trained manipulation. So far the late Mr. Cliffe Leslie, who paid special attention to the grouping of workers in the scale of payments, was quite right when he wrote to me many years ago that "averages in such matters are quite unscientific and illusory."

To strike an average between such rates of payment as those given above, and take that as the average wage of the English worker, would be absurd indeed, if it were proposed in that way to give an accurate idea of the position of the working community in these islands. But from the point of view of the workers as a whole, though some are much better off than others, they are so only as the slaves of ancient days, who were specially useful in contributing to the immediate luxuries or vices of their masters, were better-fed, clothed and lodged than the wretches who were flogged at their daily tasks in the fields or in the mines. The economic and social relations remain much the same in both cases: the quantity of surplus value extracted varies very little: the uncertainty of good treatment in the case of the slave, or of continuous employment in the case of the wage-earner, is as great as ever: the provision for old age, all circumstances being taken into consideration, is not materially altered for the better, in spite of the miserable Old Age Pension dole, which has been acorded to workers over 70 years of age — practically in relief of Poor Rates.

Moreover, at the present time, the extension of machinery in every department is tending, not only to displace men by women in many branches of industry and to increase uncertainty of employment, thus swelling the numbers of the permanently unemployed; but is also tending to reduce the workers more and more to one dead level of mere attendants on the new machines introduced. Hence it arises, that of late years the trade unionists, who so long considered themselves and were regarded by others as "the aristocracy of labour," have been compelled to take a wider view of the class war, and to recognise that even they, whatever minor advantages they may secure by combina-

tion, are by no means adequately protected against the levelling advance of machinery, or assured against long periods of short time or worklessness, due to commercial and financial crises over which they have no control. They are, in fact, no better than food for surplus value like the rest of their class. They, like the rest, are a mere mass of human labour-power, embodied in flesh-and-blood, at the mercy of the class which controls the great forces of modern society.

So, again, with regard to the rise of wages. It cannot be disputed that, in the great majority of industries, the rates of wages paid to men and women when in employment have considerably increased. This is certainly true in the United Kingdom, and applies also in great degree to the continent of Europe. It is true, also, that this represents to the wage-earners while in work a somewhat higher standard of life than they obtained prior to the war. But here again, taking the largest increment possible, it is questionable whether even this has compensated the workers for the periods of worklessness, or short hours worked, in many trades, or for the long weeks out on strike, to get or maintain the advances spoken of.

In any case, the advantages secured by the producers in the shape of a higher standard of life are altogether out of proportion to the increase in the powers to produce wealth now at the disposal of mankind. These powers have increased in modern times to an extent far beyond that of which there is any record. It would certainly appear, therefore, that those who argue that wages should be lowered in order to meet foreign competition; that the workers ought to emigrate, cease to marry, or in any way to propagate their species because population grows too fast for subsistence; and that the only way in which trad-

ing and commercial prosperity can be maintained is by overwork at home and spoliation abroad — that the wise-acres who argue after this fashion, I say, might reasonably have their attention called to such facts as that (1) four men working on the land in the west of America can produce enough food in a year to sustain 1,000 people for the like period, and that (2) one woman working at a loom in a factory can weave in a twelve-month enough cloth to clothe at least 100 people. In the face of such facts as these, to speak of over-population as the cause of poverty, or to demand reduced wages as a remedy for bad trade, is a sort of reasoning too monstrously absurd even for the most greedy appropriators of unpaid labour to use honestly.

Surplus value, with the acquisition of profit, being the sole end and aim of the capitalist system; and payment of wages by way of purchase of free labour-power being the only means by which this end can be attained: it follows that so long as the capitalist system endures so long must the appropriation of unpaid labour by the capitalist class continue; so long must there be a margin of unemployed at hand, to restrain the demands of those who are at work, and ready to be absorbed in periods of prosperity; so long must wages on the average in every trade be no more than the subsistence rate customary in that trade regulated by competition; and so long, in short, must the workers be, in all but name, the slaves of the owners of the capital and the land.

From this we can learn the comparatively small worth of mere palliatives. Sanitary factories, liability of employers for injury to workmen, restriction of the age at which children may work, limitation of dangerous or unhealthy trades, even an eight-hour law, or seven-hour cus-

tom, each and all of these leave the basis of the system wholly untouched, and the difficulties to which it necessarily leads practically unmodified. The wage-earners may be a trifle healthier, a little less liable to mutilation, not quite so much overworked, and allowed a certain amount more leisure in which to reflect upon the causes of their subjection. But that is the total amount of advantage they will gain. They will be just as uncertain of continuous employment, just as much liable to overwork by increased rapidity of machinery — ten hours' work being compressed into eight, or seven — and just as little capable of making *adequate* provision for old age.

Meanwhile the tendency of machinery is to bring all labourers to one level. In place of encouraging skill and individuality, the great machine industry has the effect of developing mere automatic, mechanical toil. Machines use men instead of men using machines. So the surplus-value-creating system grinds on, until the same economic causes which brought about its development, having worked through their full cycle, will bring about also the change to the next social stage. But at the end of the evolution of the capitalist period, as we now are, the examination of surplus-value and the manner in which it is obtained and appropriated not only affords the key to what is going on around us, but also, properly understood, gives a clue to the synthesis which is the complement of the analysis.

We are thus enabled, in some degree at least, to forecast the coming period, when production of commodities will be carried on no longer under the control of a class, with a view to the creation of surplus-value and the absorption of unpaid labour in the shape of profit, but the production of useful and beautiful articles will be co-operatively organised by the whole community for the benefit of all its mem-

bers, between whom there will be no class distinctions, or economic antagonisms, whatever.

To sum up:

All exchange is conducted on an equality on the average of transactions, and unequal exchange does not create wealth. What one loses the other gains.

The capitalist who begins to produce commodities starts, under existing conditions, with money. He buys all his raw materials, incidental materials, machinery, &c., on the market with this money. Having commenced his operations with £100, he finds that he sells his finished commodities for £110, or £10 more than he had advanced, and this was the object which he had in view from the first.

Whence does this increase come?

(a) It does not come from a reward for his risk, as, though one capitalist may risk being beaten in competition with his fellow-capitalist, the capitalist class as a whole run no risk. Besides, the reward for risk must come from somewhere, even supposing such reward there were.

(b) Not from the raw materials, incidental materials, &c., which he buys at market price. The value of these reappears, including the value of the proportional wear-and-tear of machinery, in the finished commodity without change. *They constitute constant capital,* unaffected as to value by the industrial process, and are embodied in the finished commodity, unchanged in this respect, however much the form may have been modified.

(c) Not, as said before, by unequal exchange, for this constitutes no value.

The increase, therefore, comes from the capitalist's last purchase, the last commodity which he buys at the market rate.

Now this commodity is usually called labour. But it is not labour which the capitalist buys as a commodity; for labour has, and can have, no value in itself. It only has value when it is embodied in articles of social utility, relatively to other similar articles in which, of course, labour is likewise embodied.

What the capitalist purchases, therefore, to complete his selection of commodities necessary to commence production, is not labour, but the power to labour, or labour-power, that labour-embodying, value-creating capacity which human beings possess.

But human beings must, by historic causes, be found in such a social condition that they have no other property, no other commodity, at command, to sell, except this force of their bodies, this labour-power which the capitalist wants to purchase.

On the one side, free labourers, without property, anxious to sell their sole commodity, labour-power, for the day, the week, the month, the year.

On the other side, owners of the means and instruments of production ready to buy this strange commodity which they find so conveniently on the market for purchase.

Such are the two necessary conditions of capitalist production: without them capital as a series of social relations cannot be.

The labourers are anxious to sell or exchange their labour-power, for unless they do they must starve. And it will not keep, this commodity which they are eager to dispose of. Consequently, they advance it on credit to the capitalist: not getting the exchange-value of it until a week, a fortnight, or a month of work has been done.

Labour-power thus bargained away is exchanged on the

same basis as any other commodity, namely, its cost of production in necessary, abstract, simple, social human labour.

This means that the possessor of the labour-power exchanges it with the capitalist for such means of subsistence as will keep him, according to the standard of life of his trade, and enable him to hand on the same lot to his offspring.

This quantity of social human labour embodied in his standard of life is also determined, like the value of other commodities, by competition and higgling of the market. When, therefore, women and children are brought in to sell their labour-power, the whole household only earns what the head of the family would otherwise earn, and the apparent gain is illusory.

Labour-power thus bought at its value in the quantity of necessary, abstract, simple, social, human labour embodied in its means of production (namely the subsistence of its owner), measured in money, is at the disposal of the capitalist for a fixed period, say a day.

But the money value of this labour-power, the wages paid to its possessor for its use during the day, only represents a quarter, a third, a half of a social labour day, whatever its length may be.

Hence the capitalist receives back from the worker, in social labour-value embodied in commodities, the total value of his wages before the first three or four hours of the day are over. But he has the right, of which he avails himself, to use the labour-power under the same conditions for the whole day.

Consequently for every hour that the labourer works for himself to replace his wages, he works one, two, three, or

even four hours for the capitalist without any payment whatsoever.

The value thus appropriated by the employer for nothing constitutes surplus value, which is divided up among the various sections of the non-producing class.

What conceals from the workers at large the method of their expropriation is the form of money in which they are paid their wages. If, like chattel slaves, they received in return for their labour only so much of the corn, or the wine, or the meat, which they themselves raised and prepared for their master, they would be under no delusion as to the meaning of the transaction, however little power they might have to emancipate themselves from their thraldom. If, on the other hand, they were villeins compelled to give two or three days' work in the week to their lord without any payment whatever; in this case also they would not imagine, however stupid they might be, that they were co-partners with their noble superior in the product of their enforced husbandry or handicraft.

But the fact that they are perfectly free, so free that they can go wherever they please and still possess nothing, so free that they must sell their labour-power at cost of subsistence to be exploited by the possessing class — this keeps their eyes blinded, in the great majority of cases, to the pleasing social juggle which enables the owners of the means and instruments of production to deprive them of two-thirds or three-fourths of the value of their day's, week's, or year's work without paying anything for it.

CHAPTER IV

CIRCULATION OF COMMODITIES

Labourers must sell their labour-power, day by day, or week by week, in order to exist as labourers. If they fail to be able to sell this, their sole commodity, regularly on the market, they cease to live, or have to accept charity or State aid in some form. They are living under a relentless economic law, from which, as individuals, they cannot possibly emancipate themselves. Possessing no wealth, nor any social power to control and subsist upon the products of the labour of others, they are as much compelled to place their labour-power at the disposal of members of the capitalist and landowning class as their economic ancestors, the slaves of old. Their economic freedom is limited to the right (not always easy to exercise) to sell their labour-power to another purchaser than the one who had bought it yesterday. Anyway, sell they must.

But just as the labourers are compelled by their social and economic status to sell their labour-power for money, in order merely to exist as labourers, so must the capitalists sell their commodities on the market for money, in order merely to exist as capitalists. They have no choice in the matter. In order to carry on their productive process it is not suficient to produce commodities: they must convert them into money continuously, in order to recommence the process and carry it steadily on. Such is the irony of the situation that, though both labourers and capitalists are performing social duties, and cannot but

perform them, they both also carry on their share of such social work solely for personal and individual objects. The labourers toil only incidentally, as it were, from their point of view, to make articles of social use. They sell their labour-power in order to obtain wages in money, and how their labour-power is applied, so long as they get those wages, in return for a given period of work, concerns them not at all.

The capitalists, on their side, use this labour power, not with any idea of providing society with what its members want, as a social function; but they perform this social duty also, as it were, by the way, and on the road to securing their profit. If capitalists could obtain profit without using all the complicated machinery, human and other, necessary for the output of useful articles, nothing would please them better. Their sole and only aim, as a class, is to obtain as much profit as possible, and to extend their business at the expense of other capitalists, their rivals, in order to prevent these rivals from absorbing them. No social or human consideration has any weight in the matter.

The surplus value is squeezed out of the labourers in the factory, in the mine or on the farm, and the capitalist's share of it, in the form of net profit, is contained in the overplus of commodities created by the unpaid labour of his workers. There it is at his disposal. But it is not realised as yet. Moreover, his total product, in its commodity shape of cotton cloth, woollen cloth, boots, hats, iron goods, wheat, lead, &c., cannot be used to buy directly the raw materials and all that he needs to begin afresh. The landlord will not accept his ground-rent, nor the banker his interest on loans, in kind. Sell for money the capitalist must.

In this way, therefore, the circulation of commodities in our modern society begins. Articles are produced to-day in such conditions that they are of no use to those who produce them. Consequently, they must be moved round the circle of exchange until they reach the hands of the persons who need them, and, what is more important, can pay for them — pay for them in money, or the equivalent of money, that is to say. Mere need constitutes no title to commodities: mere demand is of no account. The need must be a need backed by hard cash: the demand must be what the old economists called an effective demand.

Money it is which renders this circulation of commodities, this whirl of exchange, possible. Barter, the direct exchange of commodities, is at an end. This form of the exchange of useful things, from the hands of those to whom they are not useful into the possession of others to whom they are useful, is different in every respect from the process which we see going on all round us to-day. In barter, or direct exchange for mutual use, the product of useful labour in one form takes the place of the product of useful labour in another form. The farmer, for instance, exchanges his sacks of wool against a pedlar's silks, who again trades away the wool for finished cloth. Consumption follows, and the mere circulation is at an end.

Attempts have been made to restore the direct exchange or barter of useful goods between one individual and another. But so completely has the idea of valuation apart from money disappeared, that, insensibly, those who wish to obtain other articles in place of their own, estimate the value of their possessions which they propose to transfer, not with reference to the need which they have of the other articles they desire to possess in place of these, but with

regard to the price that either would realise if brought into the open market. An exchange of commodities may be directly effected between individuals by barter; but, still, in spite of all they can do, the vision of the price current is ever before them.

When, however, a commodity is exchanged for money, something much more has taken place than a mere exchange or transfer of commodities. When, for instance, our capitalist, impelled thereto by the very necessity of his being, sells his cotton cloth, or his boots, for money, he does a great deal more than merely part with useful articles for gold. For gold, of course, is by no means always money, any more than money is always gold.

Thus gold itself, when it is only a commodity, when, that is to say, it is a bar of the precious metal to be used in industry or the arts — gold in this case is no more money than a bar of platinum, or a bar of tin, or a pig of lead, likewise destined for use in the arts, is money. The capitalist who sold his goods even for bar gold, in such circumstances, would not have done that which he wished to do. And the individual purchaser, like the individual capitalist, who wished to buy, and thus begin a circulation of commodities, extending far beyond his own immediate purchase and sale, would at once discover that gold, merely as a commodity, would not do his business. He would be forced, when he got it, to resort to a bullion dealer and convert his valuable commodity into money before he could buy a bible for £2 out of the proceeds of the sale of some linen for that £2, thus enabling the owner of the bible to buy brandy with the same £2, and so on and so on.

Gold in its money shape is a very different thing, then, from gold as a mere commodity. It performs in its own

person in this shape several functions, and figures as real and ideal at one and the same time. Gold as money is the very corporeal expression of value, or social value. It is in itself the very incarnation and embodiment of such value. In such a case, in Marx's own words, "gold as gold is exchange value itself." It possesses the power of converting itself, or being converted by its possessor, into all the useful social articles which can be obtained. And it possesses this power although its own utility has been taken from it altogether, for the purpose of evaluation, exchange and price.

Here, as in the original investigation of value, we are driven to abstract reasoning. When it is said that gold in the form of money is exchange value itself, what is meant? This: that gold, when all its useful properties are no longer taken into consideration — and this is manifestly the case when it is proposed to use it as a measure of value, or as money — has ceased to be a commodity in any sense. As a measure of value for all the commodities offered on the market it is, in fact, a mirror which reflects at once the value of each in turn as an ordinary mirror reflects the "values" of the human face.

When this is done we have ceased to trouble ourselves about the cost of production of gold itself, or about its greater or less utility. It is recognised as the measure of all values, because it is the universally admitted representative of the embodiment of social human labour in the abstract. Thus used, money converts the values of the infinite number of commodities into imaginary quantities of gold. And this comes about not because money renders it possible to measure the value of commodities. "The contrary is the case. Only because all commodities, in so

far as they are values, are embodied human labour, are they capable of being measured in relation to one another; and, secondly, are they capable of being measured in one and the same special commodity which becomes the common measure of them all." This special commodity being converted into common measure, namely, money — Bax's "matterless form"— reflecting the values of commodities all round.

So far of the gold which the capitalist must have as a measure of value. As a standard of price, money measures the quantities of gold which have previously been imaginary. The ordinary price current gives the result of the latest competition on the market in yarns, cloths, iron, coffee, wheat, and so on; not in imaginary quantities of gold, but in actual sovereigns. Yet, of course, this is an ideal valuation. Each possessor of useful goods sees in place of his special commodity its market price. Its utility has ceased to concern him. What he is concerned with is the price, and the price alone, that he is likely to get. And it is this standard of price that money provides him with. Moreover, the changes which may take place in the value of gold itself do not affect its function as this standard of price.

In the ordinary form of the circulation of commodities the change is from money to commodities and then from commodities back to money. When the commodity moves out, its equivalent, money, steps into its place; and several moves of this kind may be made before the commodity reaches its final destination and is consumed: the money being always in the hands of the buyer and the commodity in the possession of the seller. From this point of view gold and money in general form a convenience of ex-

change, as already said. It is a means of facilitating the circulation of commodities from those who want to sell to those who need to buy and use.

But to the capitalist money is the means whereby he can realise at one stroke all the values locked up in the commodities which he has produced, including the surplus-value, which was the real reason why he produced them at all; and, having thus obtained his money back with an increment, he can begin the whole process over again. But, further, money represents to the capitalist, as well as to the rest of the world, the means of payment; the means of paying his rent, of meeting bills when due, of discharging gas and water rates and the like.

In this respect money acts no longer merely as a circulating medium. It is no longer only an agent in facilitating the exchange and circulation of useful products. Now it becomes the individual incarnation of social labour, the embodiment in itself of the value of an aliquot part of that labour. It is the independent form of existence of exchange value, the universal commodity which everybody desires, standing by itself. Here we have a contradiction and an antagonism in the uses of money, which produce a very practical effect indeed at periods of industrial and financial tension. Money, at these times, may be in such great demand as a means of payment that its purpose as a means of promoting the circulation of commodities will be temporarily quite lost sight of.

Nor is it only in days of stress and strain that this mistake is made. Such is the influence of money on the human mind, that, just as in the domain of industry, human beings are physically dominated by the very machinery which they themselves make, and which they should control to the common advantage, in order to lessen the amount

of labour needed to create wealth, instead of allowing it to be used to pile up riches against them; so this other social creation, money, in place of being regarded by the many as a mere instrument, to be used in existing conditions to facilitate the transfer of their products, is looked upon as wealth itself. Because money will purchase all that they want and give to its possessors power over the community, therefore it becomes to the mass of mankind something much more than a mere symbol of social value, a standard of price, or even a means of payment. Money is the one thing needful, the one object we ought all to strive for!

When economists tell the people that money is not wealth and that its creation, beyond certain well-defined limits, is not only not advantageous but positively a waste of the time and labour of the community, the majority of men and women still refuse to believe it. Wealth seems to them to come from above, in the shape of money; as it does to the domestic servant, or the cabman, who receives his wages or his fare from his master or his employer. There cannot, therefore, be too much of it. Even men who ought to know better not unfrequently encourage for their own purposes this illusion. Not so very long ago, for instance, Lord Morley, who is commonly supposed to have cleared his mind of supernaturalism in every shape, publicly made his obeisance to this money fetish. He hoped that the day would never come when we Englishmen should cease to be very careful about money. Obviously money in this sense meant to our philosophic politician something much more than incorporated social labour counters, and those whom he addressed so understood him.

Nevertheless, in order to comprehend the working of our capitalist system, and the function which money or its

representatives, bank-notes, drafts, cheques, bills, and the like, play in facilitating circulation and exchange: in order, too, to detect the real significance of that antagonism between commodities and money, which plays so crucial a part in the immediate bringing about of financial crises; it is absolutely necessary to clear the mind of all this confusion.

Mere money is, as said, a useful commodity deprived of its utility and applied to a special purpose. Taken at its full value it forms but a very small and insignificant fraction of the total accumulated labour-value of any civilised community. So far, also, from a superabundance of money necessarily bringing with it good trade, it is an absolute certainty that any supply of money, over and above what is actually needed for the service of any given society, will simply lie idle in the banks. What is the quantity of currency required to do the circulating work of any nation was proved theoretically more than two hundred years ago, and is determined in practice by many who never looked into the theory of the subject in their lives. In the same way that many a skipper will safely navigate his craft, by observation and calculation, who never gave a thought to the theory on which the logarithmic tables he uses are based. The amount of money necessary depends, then, upon the value and rapidity of circulation of the commodities to be moved from where they are not useful into the consumer's hands.

A common example of this is what is called the "moving of the crops." That operation in this and other countries, and especially in the United States, calls for a very large sum in hard cash. When the crops move out from the farmers money must flow in, and at each successive stage of the movement, as the wheat, hay, cotton, wool, &c.,

passes on to its destination, money must come in to fill up the gap. Moreover, it is some time before the money thus sent out from the banks in gross begins to flow back in detail. This occurs when the farmers and their associates begin to purchase supplies from the shopkeepers or storekeepers; who, in turn, remit through the local banks to the central institutions as they give their orders for fresh supplies, for the replenishment of their stocks of goods depleted by the farmers' purchases.

It is almost needless to point out in this case that if more money were sent out than was required, for the purpose of facilitating the circulation of the food-stuffs to be moved, nobody would gain by it. The prices which the farmers obtain for their product in bulk are not regulated by the temporary scarcity or temporary superabundance of currency at a particular spot; though possibly in a case here or there an individual may lose or gain by these local circumstances. The farmers' prices, on the contrary, are governed by the condition of the world-market in regard to their special products. The main competition and higgling of the market which determine the quantity of simple, abstract human labour embodied in what they want to sell take place not locally but centrally. The local trade is conducted within very narrow limits of possible fluctuation.

This is a simple case, and it occurs as a rule but once a year on a large scale. With manufacturers it takes place much more frequently, the rapidity of the turnover being increased or slackened according to the circumstances of the particular trade, and the amount of money needed in all to move the goods is regulated in each case, by the entire period taken to complete and realise the product. To take, in passing, the case of a wholesale baker, whose sales

are from day to day, and his bills are collected week by week; it is obvious that the amount of currency needed to circulate his commodity at any given time is very small, as compared with his total yearly output, by the side of what is needed to perform the same office for a farmer who is carrying on business on relatively the same scale. Here, however, as in the farmer's case, a great supply of currency would not facilitate the circulation of the bread in any way; unless, indeed, a philanthropist were to provide a number of poor people in the neighbourhood with the means of buying loaves which otherwise they could not have bought.

This, no doubt, is what many who crave for an expansion of the currency, have in their minds, as in some way or another likely to occur, if the State sets the mints going at twice their ordinary rate, or if valueless money, in the shape of notes with no coin behind them, were tumbled out upon the country. But a very slight consideration will show the most careless reader that a mere increase of currency by itself will not bring about the circulation of more loaves of bread; while the creation of a mass of State assignats receivable, as some propose, in payment of taxes, would not benefit a country in any way whatever. Those who keep their eyes steadily fixed on the production of articles of utility and their circulation as embodiments of human labour value are not likely to be led astray by the will-o'-the-wisps of the currency-mongers of any school.

To return to the capitalist and his proceedings. He begins with money, buys his raw materials of production, including labour-power, takes these into the sphere of production itself, and emerges therefrom, as already explained, with the sum of all the values expended during the process embodied in commodities, plus the increment which he has

squeezed out of purchased labour-power. These commodities he then sells for money, which replaces his original money advance with something more. That ends this particular cycle for him. The form of it is money, then raw materials and incidental materials, then, lastly, more money. Or, money, commodities, money again. And the capitalist regards labour-power simply as one of his commodities and the wages paid in money as a part of his inevitable pecuniary expenditure. The money itself has, of course, no say in the matter. What sort of goods it buys does not affect the universal equivalent in any way.

Certain it is that money is not in any sense the cause of wagedom. The workers exist separated from their means of production. There they are, on the one side, ready to sell. There stands the capitalist, on the other side, ready to buy, and to bring these divorced elements of production together — on terms. He does so by means of money. But it is not the money itself, nevertheless, which brings about the social conditions that result in the antagonistic classes of capitalists and wage-earners. Not at all. The labour-power of the workers can be bought as a commodity, and its product put in circulation, because these social classses already exist in predetermined conditions. It is the same as it was with slavery. Money bought slaves, and slaves were sold for money. But this could only be done where slaves existed. Money could not make slavery possible by itself; so neither can it make wage-slavery possible by itself.

From the labourer's side the whole process takes quite a different aspect, however. He is the seller of the commodity, labour-power, and is anxious to circulate it in return for money. He does so, and his labour-power goes into the possession and under the power of the purchaser at its mar-

ket price. The money which he receives at the end of the week in the shape of wages, for the advance of his labour-power for that time to the capitalist, represents to him the means of buying other commodities necessary for his mere subsistence; thus beginning with his money a circulation of commodities at the other end.

Whether his money-wage goes into the publican's till or the baker's purse, may make a difference to him, but in either case the money has gone from him in exchange for commodities. The labourer, unlike the capitalist, begins, then, with commodities, his labour-power, to wit, exchanges for money, and passes on to the purchase of commodities; though in his case the shape in which he receives his wages disguises from him the truth that he has received only a fraction of the value of the labour embodied by his labour-power, and that the remainder is either in his employer's possession or is circulating on the market: in both cases far removed from him.

Clearly, also, when money as capital goes out on to the market, and is converted into the raw material of production, or productive capital, this productive capital can no longer circulate. It must go into the productive process, that is, into consumption, whence it emerges in a changed form, and must then go out into circulation again. Similarly, that portion of the raw material of the indispensable element of production called labour-power can only realise its use in the productive process, and create values for future circulation, quite irrespective of the will, or even of the knowledge, of its original seller.

It may be convenient to give here the various categories of capital which Marx substituted for the bald "fixed" and "circulating" capital of the orthodox economists. These separations and distinctions, when firmly grasped,

render it easy to comprehend the somewhat complicated phenomena of modern industrial society:

I. The *Money-Capital.* This may be taken as the starting-point of the whole process. With this, as already often said, the capitalist goes out on to the market to buy his raw materials of production, in order to convert them into commodities, and eventually to increase his cash capital. It is only when used in this way that money is active capital. Money of itself need not be capital, but, when it is in the hands of a capitalist who is using it for the purpose of producing commodities with a profit to himself,— then it is capital in its most active shape.

II. The *Commodity Capital,* or Raw Material Capital, which signifies the purchased commodities, *including Labour-Power,* that, having been bought with the money capital, are taken into the sphere of production. Here their form is completely changed, as raw cotton is converted into yard and afterwards into cloth, leather into boots, iron-ore into iron, clay into porcelain, &c. Some of the materials, in fact, as coal, oil, gas, completely disappear. But, none the less, the spirit of these component parts of the commodity capital, their value, appears in the completed commodities. The commodity capital, including labour-power, goes into the productive or labour process as a number of commodities, and comes out again as a quantity of commodities.

"One of the most striking peculiarities of the circulation process of industrial capital, and therefore also of capitalist production as a whole, is the circumstance that on the one hand the elements for the formation of productive capital come out of the market for commodities, and are continually renewed therefrom; that, in fact, they must be bought as commodities: on the other hand, the

products of the labour-process issue from it as commodities, and as commodities they must be sold."

Compare, for instance, a modern farmer working his farm on the best method with the highest skill and a farmer of the old time. The modern farmer, though he still scarcely regards himself as a capitalist in the manufacturing sense, is so completely overmastered by the necessities of the capitalist system that he sells off his farm everything he can sell. Frequently he even purchases his seed for the next crop. If he does not sell, unless he is merely holding for speculative purposes, he feels he has made a mess of his business.

The old-world farmer, on the contrary, so far from selling everything he could sell, sold as little as he possibly could. His object was to provide for himself and those around him to the full extent that was possible, doing this often at the expense of far more labour than was necessary, had he sold some portion of his product and bought with the proceeds. But he only sold his actual superfluity. The contrast is marked. In the one case buy everything and sell everything. In the other case buy as little as possible and sell only the surplus.

III. *Fixed Capital.* This does not mean capital fixed to a particular spot of ground, as a factory, or a furnace, or a mining-plant, or a machine. Fixed capital in Marx's sense means such proportions of the capital, whether buildings, machines, tools, steam-engines, or similar appliances, as only transfer a portion of their value in the course of production to the commodity produced; thus giving over their value to the commodities by degrees, the remainder of the value, over and above that which has been parted with in the productive process, remaining *fixed* in them.

The whole of their value is, of course, used up and transferred to the commodities sooner or later. But this bit by bit transference may extend over many years, and consequently, as remarked in the last chapter, the greater part of the original value of the structure, or of the machinery, may long since have gone forth into the great whirl of commodities, while the building itself or the machinery still continues in a more or less complete condition to fulfil its part in the process of capitalist production of commodities. "Capital is not 'fixed' because it is fixed in the instruments of labour, but because one portion of its value, embodied in instruments of labour, remain fixed therein, whilst another portion is in circulation as a fraction of the entire value of the completed product."

This is recognised in practice. In all properly-kept accounts, there is a yearly deduction of from ten or more per cent. made from profits to allow for depreciation — this depreciation representing, on the average, the proportion of value which has been parted with by the fixed capital to the commodities in the course of production and which, in some way or other, has to be replaced. This has nothing to do with the so-called "moral" depreciation spoken of by Marx, due to the introduction of some new method of producing the same commodities with more costly appliances and less labour. This there is no means of calculating beforehand, and the danger to the individual capitalist can only be met by a deduction from his surplus value, or his share of it in the shape of profit, thus enabling him in time to adopt the improved methods, if it seems desirable to do so. With that, however, we have nothing to do here.

It should be noted, however, that fixed capital, like all

other capital, is a direct product of human labour, and that its repairs and renewals are, of course, in like manner due to human labour.

The whole factory, building, works, machinery, new appliances and inventions, are due also to the social surroundings and social status of those who construct them. There is no individual genius at work here of such colossal magnitude that its possessor can divorce himself from his begettings, surroundings, and education, and thus invent, apply, construct and use, so to say, *in vacuo*. There is no human being who is entitled to say of any fixed capital, of any machinery or works, however cunningly devised, "I did this," "I am the unit that gives to the human cyphers their value." All such things, great or small, arise from the society in which they are made, and which, as a society, creates them.

It is necessary to state this again here, because certain economists constantly reiterate that all improvements are due to individual persons, and that therefore — the ethic is as peculiar as the logic is faulty — certain other persons, namely, the capitalist class, who did not invent them, really ought to possess them, by reason of the value which these inventions create! But improvements in methods of production which increase fixed capital, and entail the use of machinery on a larger scale, do not, as remarked before, increase the value of commodities but reduce it; and the capitalist obtains an increased profit by the larger output, not by selling dearer, but by producing cheaper; that is to say, with a less expenditure of human labour.

Again, a product of industry may be a mere commodity to its producer and fixed capital to its purchaser. Thus the maker of cotton-spinning, or cotton-weaving, machinery, the constructor of a steam-hammer, a crane, or a

hydraulic press, necessarily regards his product as a commodity. He in fact sells it, and is forced to sell it, as a commodity, and, if not made to a definite order, domestic or foreign, it goes out upon the market as a commodity, to circulate with other commodities, until such time as it finds its ultimate purchaser, in England, America, Australia, Germany, China or Japan. Then it does become fixed capital to that last purchaser, who applies it to productive purposes; and the spindles, the looms, the steam-hammer, and so on, proceed to give off of their value to the commodities which they, in their form of fixed capital, having ceased themselves to be commodities, help to create.

Further, mere fixity has nothing to do with the definition. A locomotive engine, like the machines named above, is a commodity to its producer for sale, but is fixed capital, involving a lock-up of capital, only gradually set free, to those who use its power as intended. Oxen as ploughing oxen are fixed capital to their proprietor. Sold off the farm they figure as commodities. Fatted and killed for the farmer's food they become mere articles of consumption. And so, in many similar cases, it can be easily seen that the old imperfect definition of fixed capital must be abandoned in favour of the true, scientific, definition of fixed capital given above.

IV. *Circulating Capital* is that portion of the constituents of production which consists of the raw materials, the incidental materials (what the Germans call help-materials), labour, &c., whose value is wholly incorporated in the completed commodity during the process of production. It consists of capital in the commodity shape. It is circulating capital, in the form of finished commodities or stocks of commodities; as distinguished alike from the money capital into which it is converted at the next stage,

and which it was — less, of course, the amount of the surplus value — in the previous stage; and as distinguished from the fixed capital, the greater portion of whose value has probably not yet been given forth to the commodities which have been, or are about to be, thrown into circulation.

This form of capital, circulating capital, is well understood in all financial accounts, and when a manufacturing business is valued for any purpose a well-defined distinction is drawn between the realisable stocks of commodities, whether they be clothing, or boots, or hats, or barrels of beer, which can be put in circulation at once, and the machinery, buildings, waggons, horses and carts, which form a portion of the same industrial establishment. Such commodities can be exchanged, and, of course, must be exchanged, for money; but as they lie in stock they constitute liquid capital, which represents all the immediate advances made in their creation.

The old French economists, who are known as the Physiocrats, made this distinction between immediate advances and permanent advances, which they designated *avances annuelles and avances primitives*. Applied, as these two categories were by them, almost solely to agriculture, the primitive, or permanent, advances represented the capital embarked in draining, making roads, constructing buildings, purchasing ploughs, horses, sheep, and so on. The annual advances, realised in the shape of cereals, wine, wool, &c., consisted in seed, manure, food for cattle and the like, which each yearly crop necessitated. To them the difference between the two forms of capital consisted in the longer or shorter period of their return to the person advancing, and the creation of surplus value was not a

necessity of all capitalist production, but a peculiarity of agricultural production alone. It is not, however, the longer or shorter period of return that makes the difference, but the method of giving over the value to the product.

Adam Smith extended this distinction of the Physiocrats to the whole field of capitalist production in the guise of fixed and circulating capital; but both he and Ricardo, by confusing "fixed and circulating" with "constant and variable" capital, landed themselves and their followers in a series of mistakes.

To quote Marx again: "The confusion created by Adam Smith in this matter of fixed and circulating capital has led to the following results:

"1. The difference between fixed and circulating capital is confounded with the difference between productive capital and capital in the form of commodities. Thus, for example, the same machine is circulating capital if it is found on the market as a commodity, and fixed capital, if it is taken into the process of production. From which it is absolutely impossible to determine why one particular sort of capital should be more fixed, or more circulating, than the other.

"2. All circulating capital is identified with the capital expended, or to be laid out, on wages of labour. As with John Stuart Mill and others.

"3. The difference between variable and constant capital which was already used by Barton, Ricardo and others as convertible with that between circulating and fixed capital is at length reduced entirely to those cases where all means of production, raw material, &c., as well as tools, are fixed capital, and only the capital laid out in wages is circulating capital.

"4. Amongst the most recent English, and especially Scotch economists, who regard everything from the unspeakably narrow standpoint of a banker, the difference between fixed and circulating capital is twisted into money on call and money not on call."

V. *Constant Capital* is that portion of the capital, such as the value of the wear-and-tear of the buildings, plant, machinery, horses, carts, &c., the value of the raw materials, of the incidental materials, and, in fact, the value of all the commodities bought and taken into the process of production, except the value of the labour-power — of the value-creating commodity. The value of all these commodities, whose value is embodied in the finished product, without change of such value during the process of production, no matter how greatly their mere form may be changed, constitutes constant capital.

This category of capital was so fully dealt with in the last chapter that it is not necessary to do more here than point out the difference which exists between constant capital and fixed capital on the one side, and circulating capital on the other. Constant capital, so far as it relates to buildings, machinery, and tools, represents the value of the actual transfer of capital to the commodity during the process of production. It consists of that portion of the value of the fixed capital, in respect of the wear-and-tear of that fixed capital, which is incorporated in the quantity of commodities produced. This value, whatever it may be, small or large, undergoes no increase or decrease whatever during the process of production. So much of the virtue of the original plant has gone out of it in doing this piece of work, and has been transferred, without modification, to the finished product. Its value remains constant, therefore; it is a portion of the constant capital in the finished

commodity, having been a portion of the fixed capital before the process of production began.

In like manner, the value of the raw materials, and incidental materials, is incorporated, without change, as part of the constant capital embodied in the finished commodity. Their value, that is to say, also reappears without change in this completed product after the process of production is at an end; they themselves, as commodities, having formed a portion of the Commodity-Capital, purchased by the capitalist with money at the beginning of the whole operation. From that Commodity-Capital, it will be remembered, Fixed Capital was of necessity excluded, and Labour-Power, the value-creating commodity, was included, labour-power being bought, as a commodity, for use in the process of production, like other commodities. On the other hand, constant capital, though it is partially included in circulating capital, does not comprise its entire constituents; for circulating capital includes the embodiment of labour-power in labour-value, which formed a portion, not of the constant capital, but of the variable capital.

VI. *Variable Capital* is the capital expended by the capitalist in the purchase of labour-power as a commodity. This labour-power so purchased is then made use of in the process of production, for the purpose not merely of making commodities, but with the object of embodying in those finished products its value as a commodity (which value to the owner of the labour-power is represented by the money wages paid by the capitalist) *and more.* "The characteristic of variable capital is that a determined, given fraction of capital, a definite amount of value, is exchanged against a self-increasing, value-creating power — labour-power, to wit — which not only reproduces the value paid

for it by the capitalist, but likewise produces a surplus value, *a value previously non-existent and paid for by no equivalent.*"

This variable capital, with its accompanying surplus value, contributed by the labour-power of the worker, without remuneration, during the process of production, reappears in the finished commodities. The value of the wages paid in money to the worker appears in these finished commodities, before the commodities are converted into money again. So, likewise, does the surplus value appear in the form of finished commodities. Both portions of the product being indistinguishable in the entire mass, and all, of course, belonging to the capitalist, as now his circulating capital. When the commodities are turned into money the value of the variable capital and the surplus value are realised in money, simultaneously with the realisation of the constant capital in money.

VII. *Circulation Capital.* This form of capital, according to Marx's nomenclature, is the same that is ordinarily called circulating capital. That is to say, it is capital which whether in the form of commodities or in the form of money, enters into exchange and passes from hand to hand; in contradistinction to its form of productive capital as which it figures in the process of production. "There are not two special sorts of capital into which the capitalist divides his capital, but there are different forms which the same capital-value continually assumes and drops one after the other in its course through life."

The capital which is expended in fixed capital is eventually circulated in the product, in the same way that the capital expended in commodities is circulated in the product; and both are similarly converted into capital, in the

shape of money, by the circulation of the capital in the form of commodities. *No profit whatever is engendered merely by the conversion, through exchange, of the commodities owned by the capitalist into money.* All that takes place by such conversion is that the capitalist realises his original advances, together with his surplus value (which includes his individual profit) in the form of money; in place of holding them, as in effect he cannot do, in the form of commodities. Both the money and the commodities are circulation capital, in contradistinction, and even opposition, to productive capital; but they are not in any sense circulating, or liquid, capital in contradistinction to fixed capital.

These, then, are the seven categories of industrial capital which whosoever understandeth thoroughly the same shall be economically saved!

Mercantile capital, which is, historically speaking, many centuries older than industrial capital, stands outside these categories. It is the money capital used by the merchant, as the buyer of commodities and trader upon differences of value. This capital so used creates no wealth and produces no surplus value, though it frequently piles up riches for its possessor, at the expense, of course, of the producers and buyers of the commodities.

If now our capitalist, being obliged to sell the commodities which he has produced for money, finds that all goes well with him; that he is able to sell his product readily; and that there is no hitch or check in the circulation of his commodities — how does he stand? He has got back again in money the full value which he originally expended in money, and has likewise realised his surplus value in money. Unless he intends to retire from business altogether, he is bound to use the same amount of money that

he did before in purchasing a new set of commodities to produce with. That is outside his individual volition. But what he does with the surplus value in money, or so much of it as belongs to him, is a matter for him to decide. He can either expend it on personal enjoyment, he can invest it in stocks, he can accumulate it, or he can put it back into his business.

In practice, if he adopts the first course, he will probably soon be beaten by a more cautious, or more enterprising, competitor. The rule of modern competitive production is "Get bigger or burst." It is a hard saying, but it is of universal application. If he does not absorb and digest his competitors they will, unless he possesses a monopoly, absorb and digest him. Moreover, even apart from this necessity, he will require a reserve fund, to provide against any delay in disposing of his product. So that the second course, of investment, or deposit in a bank, is the one which he will almost certainly adopt; mere accumulation, miser-fashion, being, to the active capitalist, a manifest folly.

But the business cannot be extended in small parts. The capitalist, no matter how anxious he may be to grow, can only add to his factory, workshop, rolling-mills, or shipyard on a certain scale, proportionate to the original scope of his enterprise. Until this point is reached, his profits, which, after making due provision for a reserve fund, he proposes to devote to the enlargement of his operations, must remain for him as capital in a state of suspended activity. The bankers, to whom he entrusts it for safe keeping, may lend it to other capitalists for use in their business, or the depositor himself may borrow from them to make up his deficiency. But only when that minimum sum needed for extension is provided can the extension take place.

Now, this law of capitalist existence, that each producer must increase his scale of production or fall by the wayside, means, in practice, that only the biggest are the fit to survive. This is what is actually taking place. Each capitalist in a free, competitive market is ever striving to drive his competitor's goods out of the channels of circulation, and to replace them by his own. The weapon employed in this commercial war is cheapness. And the process goes on and on until competition reaches its logical term in combination and monopoly: in an agreement, that is to say, between a number of large firms not to undersell one another, when they have once obtained control of the market, but to crush out all rivals by any means; or in an absolute monopoly of production and distribution, of which at present there are already some examples.

But though the point of absolute monopoly has been attained in comparatively few instances even in the United States — where, owing to various causes, the economic development in this direction is in advance of anything to be observed elsewhere — the growth of big concerns at the expense of smaller is one of the most significant features of the time in all countries. This is to be noted not merely in production, but in every department of circulation and distribution. Combinations and trusts, national and international stores, and national and international banks, all go to show the tendency of the time.

In particular, the waste of the unregulated competitive system, more especially in the matter of circulation and distribution, is beginning to correct itself. At the present time the waste of labour in a huge number of small shops, all selling the same goods, with an infinity of petty advertisements in every direction puffing those goods, manifests to everyone the defects of our distributive system;

while even the men and women employed waste half their labour in working at a mechanical disadvantage, alike in production and distribution. As the capitalist system goes on, however, we see great central establishments, working with a minimum of friction and with branches extending in all directions, gradually supplanting the petty producers and retailers of past times, the waste in every direction being thus lessened more and more. Thus, as capitalism, meaning thereby competitive production of commodities for profit, relentlessly breaks down and overpowers all other forms of production throughout the world; so now, alike in production and in distribution, its tendency is to break down itself in the competitive form.

But whether production and distribution are conducted under capitalism on a large scale or on a small scale, the system itself is worked on the same lines. It is of the utmost importance to the capitalist that his raw materials shall always be purchasable in sufficient quantity, and that his products shall have a ready and continuous outlet — that the circulation of commodities, in a word, should proceed continuously and without check. By no goodwill of the capitalist himself, assuredly, does any interruption occur in the steady circulation of his capital. All who participate in his surplus-value are equally anxious that there should be no hitch to deprive them of their share of it.

But the demand for the goods, whether for those to be used in production, or for the products themselves, is often fitful, even in what is a steady market on the whole. Consequently, an accumulation of commodities in warehouses becomes necessary, not as a condition of continuous sale, but as a consequence of the temporary unsalability of the commodities. Nevertheless, these warehouses assure, through their presence, the steady continuance of the

process of circulation and reproduction of commodities, in normal conditions, as a reserve of money is a necessity for the circulation of money; and an expenditure of capital is called for in either case, constituting a deduction from the total social wealth, indispensable as their existence is.

When a difficulty of a serious character arises in the disposal of products for money, and fresh commodities come forward before the last batch has been sold, then the accumulation of goods increases rapidly, just as an accumulation of gold is brought about owing to a similar check to the circulation of money. Then we have a glut, either at the factories themselves, or in the merchants' storehouses. This glut arises directly from the antagonism between gold and commodities; from the impossibility of converting commodities into money fast enough to take off the overplus. And the block thus occasioned in the channels of circulation, as will be seen more clearly later, not only involves a temporary suspension of the exchange of commodities all round the circle, but throws the machinery of production itself out of gear.

Once more let it be repeated that *continuous production and sale of commodities for money is an indispensable necessity of the capitalist system.* But necessary warehousing, so far from adding to the value of commodities, is a deduction from the wealth of the community, partly by actual loss in storage, partly by deterioration of quality, and partly by the labour of one sort or another which the maintenance of the warehouse entails. It is certain that nobody pays any more for goods merely because they have been stored. When the market is ready to take them, the stored goods and the unstored goods, the articles produced yesterday, or the articles produced months ago, fetch precisely the same price, provided they are equally good.

In the case of commodities which gain in quality by keeping, and are warehoused or stored for that purpose, the storage becomes part of the entire process of production, not of the circulation; and the risks of such storage, as in the case of wine or brandy, &c., constitute part of the cost of putting them upon the market. Though, in these instances, as in others, a stock of each special commodity is needed, apart from the storage for improvement, in order to meet the breaks in continuous circulation.

Transport of commodities plays a great part in the sphere of the circulation of capital, and one which, since the early part of the last century, has increased enormously with each succeeding decade. The mere fact that raw materials are now transported from the place where they are grown, or mined, to the centres where they are taken into the next stage of production and manufactured, and then are frequently sent back again, in the form of the completed commodity, to the very spot whence they originally came — such a series of transfers as this gives the transport of goods an exceptional place in modern industry, as also it has rendered the development in the direction of railways and steamships a necessity.

Thus, raw cotton from the Southern States of America, from India, from Egypt, finds its way to the mills of Lancashire, Northern France, and Germany, and then the cotton cloth is again sold, from the former mills at any rate, in some of the countries from which the raw material has come. So, in like manner, with the Bilbao iron-ore from Spain, with copper from the United States, Chili, the Cape, and the East, with silk from Italy, France and China.

These raw materials are imported into manufacturing countries, and then, frequently, the finished commodity is retransported back to the countries which originally pro-

vided the raw materials. Even in the United States itself, which is more self-dependent in the matter of raw materials than any other country, these raw materials, when produced, are carried by rail thousands of miles to the manufacturing centres, where they are transformed into finished commodities, and are then transported in that shape back again. At the same time, the necessities of trade break down all national boundaries, and the farming lands which supply Great Britain, not only with all sorts of raw materials, but with wheat, meat, butter, eggs, fowls, fruit, are situated, in some cases, hundreds, and in other cases, thousands, of miles from our shores.

Now it is clear that mere transport of itself does not necessarily add value to a commodity. If it did, and a certain school of Anglo-Indian economists reason as if they soberly held the view that transport of itself does create value, then, clearly, the farther we send all sorts of goods the more they will fetch. This, however, is manifestly absurd.

Necessary transport is different. The utility of things can only be made effective by consumption, and their consumption may necessitate their removal, and therefore demand the complementary process of production involved in transport. Such transport can be watched in the actual process of production itself. Coal at the pit's mouth represented a value in money of, let us say, twelve to fourteen shillings a ton. A factory close by can obtain it at that price plus the cost of transporting it, probably a few pence: to a factory thirty miles further off, with no nearer supply of coal than the same pit, the cost of similar coal is increased by the amount expended in transport, probably two shillings or more a ton, whether this be done by railway, tramway, barge, ship or waggon. The transport of com-

pleted products follows the same rule, and the productive capital embarked in the transport industry gives value to the product, partly through the wear-and-tear of the means of transport, and partly through the direct labour expended. This latter portion of the contributed value is divided, as the directly productive labour is divided, into the value of the wages paid to the labourers and the surplus value which is obtained from their incorporarted but unpaid labour.

All this means that whereas the expenditure of capital on advertising, sorting, grading, warehousing, and packing commodities, in order to facilitate their exchange into money, adds nothing to their value, but constitutes merely a deduction from the total surplus value, transport stands in a different category. Transport increases the value of a commodity, in so far as it takes the cheapest method to bring it from where there is no market to where its social utility can be made effective. And as the quantity of labour needed to effect such transport is lessened the additional value due to transport is decreased. But, manifestly, if goods are sent to a market merely for realisation at what they will fetch, the transport can add no value to them which will save the transmitter from loss.

It may not be out of place to point out here the influence which improved transport on the one hand, and excessive railway rates due to antiquated appliances or sheer monopolist greed on the other produces on the circulation of commodities; how also a great railway company, or a combination of railway companies, can isolate an entire region and produce as great an effect in the direction of limiting that free competition, or free trade, which is taken as the basis of capitalist production in an advanced stage, as any hostile tariff that was ever imposed.

Thanks to the great improvement in steam-engines and

mechanical appliances, by land and sea, it is now possible to transport goods in quantity from the remotest parts of the world at a cost at which it would have been impossible to carry similar goods ten or twenty miles under the old conditions. The contrast between the two systems and the hindrance to circulation which the old system involves is felt in practice the moment any new district is opened up to mining, agriculture or commerce in any part of the world.

West Australia and parts of South Africa afford striking evidence of this with respect to mining. Brazil is a still more striking example with regard to agriculture. Where lines of railways are driven into that country from ports on the coast coffee plantations and other plantations speedily spring up. They cease where the railway ceases, and sometimes before, if the rates for transport are too high. In China, the lack of railways has confined the main commerce of that huge empire to the lines of water communication. But in the United States, where railway transport has reached a point far in advance of that attained in any other country, the railways are now even more important than the rivers and canals, as agents in facilitating the circulation of commodities. More remarkable still, perhaps, was the reduction of freights by the great ocean-going steamers and sailing-vessels prior to the war.

The effect of cheapened freights is very marked in intensifying the competition of over-sea products with home-grown products in all European Countries, but more particularly in Great Britain. Taking the cost of transport of commodities as the basis of comparison, it was the fact that, owing to the high rates charged by the English railways, Australia, Canada, the wheat centres of Canada, a great portion of the North-West district of India, and even

the vast wheat-producing areas of the Mississippi, Missouri and Saskatchewan were, reckoned by freight, within the thirty-mile radius of London. That is to say, grain, fruit, pork, meat, &c., grown in these regions, within easy distance of railway, were as near to the London market, so far as the cost of transport is concerned, as the inhabitants of towns in the Home counties.[1] The English railways, therefore, so far from facilitating the circulation of home-produced or home grown commodities, directly hamper such circulation and act as a heavy protective agency in favour of foreign produce.

But not content with thus impeding circulation by their rates of freight, English railway companies have deliberately shut out this or that district from convenient transport in order to favour another. This occurred not many years ago in Great Britain with reference to the South Yorkshire coal-field, and in the United States in regard to a portion of the bituminous coal-field of Pennsylvania. As to the cost of transport of commodities also special rates have frequently been made by companies for special customers, thus ensuring the injury or even the ruin of their rivals. This whole subject of transport is of crucial importance in the circulation of commodities, as is seen, more especially, in relation to the circulation of agricultural products. But up to the present time the social character of the function performed by railways, canals, &c., has been no more recognised than the social character of production has been admitted.

In the circulation of capital and commodities we have to

[1] In my evidence before the Royal Labour Commission, given thirty years ago, I showed that a cask of lager beer could be sent from St. Louis to London, 4,200 miles, for less than a sack of potatoes could be brought from Devizes.

consider not only the time occupied in production but also in realisation: the two together, the period of production and the period of circulation, representing the total time of the turnover. Now the differences between the time of production in different branches of industry are in practice endless, and the period of the turnover is thus directly affected. And the result of this in such varying circumstances is that between cotton cloth which is perhaps thrown on the market every week, or a locomotive which will take three months to construct, or a ship which may take a year, or agricultural products which may take a like period, or raising cattle, which may occupy several years, the varying labour-period exercises a great influence upon the whole operation.

CRAPTER V

PROFIT

In previous chapters the division of the value of the social product between the contending classses which make up modern society has been neglected. At most we have considered the labourers and the capitalists as two antagonistic sections of that society: the former producing by their labour all the wealth that is produced, in return for wages which represent no more than a moderate subsistence, and sometimes not even that: the latter appropriating all the value incorporated in commodities by the labour of these wage-earners. The surplus-value created by the unpaid labour of the workers, over and above the return of the original wages paid and constant capital advanced, being taken in the first instance by the capitalists directly engaged in the process of production, and then being divided up with others who may be regarded as active or sleeping partners in the business.

The most important of these participators in the total surplus value created by social labour and appropriated by employers, or by groups of employers in the form of shareholders, are the landlords and interest receivers. Landlords take their share by reason of their individual ownership of the soil, in the shape of what we call rent. Bankers, traders, merchants, and others receive their portion, by reason of the social conventions which give them control of money and credit, chiefly in the shape of what we call interest. The remainder falls to the employer as profit. It is this last which we shall investigate first.

Profit, the creation and increase of profit, is the motive power of the whole capitalist system of production. Although capitalists produce articles of social use, in the society where they act as the agents of production, this social utility is for them quite a secondary matter. Wholesomeness, purity, a high standard of nourishment, fine quality of clothing, &c., carry no weight whatever with them, except in so far as these features in commodities facilitate rapidity of sale, and, therefore, of realisation of profit, for their benefit. If inferior goods of any kind command a more satisfactory profit, as the result of production and exchange, than goods of a superior grade, then the former will be produced in preference to the latter. Thus production for exchange, regardless of the actual worth to the eventual purchaser and consumer, dominates the entire field of capitalist industry. The lowest possible quality of deleterious but saleable gin is, for them, on the same plane as the very best description of agreeable and strengthening wine — so long as the poisonous alcohol is easily and profitably disposed of.

Moreover, the capitalists themselves, as well as the wage-earners they employ, have no control whatever over the articles which they have produced for sale. The commodities go out upon the market for exchange, and realisation for profit, and when that is done, all command over them passes to others. These articles likewise are of no use to those who, as wage-earners, turn them out for the capitalists: the capitalists and the workers themselves, with their means of creating wealth, are merely the animate and inanimate means whereby raw materials are converted into exchangeable wares, or goods, which comprise in themselves the power to be exchanged, to be sold for money, to realise the amount of value in all the capital paid out for wear-

and-tear of machinery and tools, raw materials, incidental materials, depreciation of buildings, waggons, &c., and wages, plus the additional labour-value embodied in the exchangeable articles to be sold. For which last no wages have been paid, nor any other consideration has been given.

This surplus quantity of commodities constitutes the surplus value, or gross profit, which is the sole reason why the entire industrial operation was entered upon and carried through. Such gross profit brought to being in the process of industry is the property in the first instance of the individual capitalist himself, subject to deductions, in the overwhelming majority of cases. The net profit of the capitalist, that is to say, can only be arrived at after rent has been paid and interest on money borrowed has been subtracted, when his commodities, including the surplus value or gross profit, have been realised in money.

But the rate of profit, whether gross or net, is very different, as we have already seen, from the rate of surplus value, or, in other words, is very different from the ratio of unpaid to paid labour. Furthermore, the rate of surplus value, which is the measure of the exploitation of labour that the capitalist is carrying on, may remain precisely the same, or even increase, while the rate of profit is very much reduced.

Now the average rate of profit is continually falling in all civilised countries. Superficial observers, therefore, commonly contend that the wage-earners in those countries must, of necessity, as a class, be obtaining, apart from any obvious rise in wages relatively to the cost of subsistence, a constantly increasing *share* of the national product of industry, as compared with the share that is realised and appropriated by the capitalist class. This may even

appear, at first sight, a reasonable contention, and accumulation of capital therefore becomes a mystery.

The rate of profit, however, is invariably reckoned upon the *whole* of the capital embarked in any enterprise. Not upon that portion of the capital which is used for purchasing labour-power and paying wages, but upon the constant capital and the variable capital taken together. But the increasing tendency, throughout the field of capitalist production, is that the amount of constant capital — capital embarked in machinery, raw material, &c., — should grow relatively to the amount of variable capital expended — the capital used to pay wages — embarked in the purchase of labour-power. This is due to the larger amount of machinery used, demanding heavier supplies of raw material, &c., as processes of industry are improved by new inventions, and the whole business of capitalism is conducted upon a larger scale.

Thus, in a furniture factory where £50,000 is the total capital embarked in the business we may have £25,000 employed as constant capital for machinery, buildings, raw materials, incidental materials, and so on, with £25,000 used to purchase labour-power. Let us assume that the rate of the exploitation of labour, that is of surplus value or unpaid labour to paid labour, is one hundred per cent. There will then be £25,000 of unpaid labour, surplus value, or gross profit, embodied in the completed articles of furniture which belong to the capitalist, and the rate of gross profit on the entire capital embarked will be £25,000 upon £50,000, or 50 per cent.

Now let improved and more costly machinery be set up, calling for larger or better buildings with a corresponding increase in the amount of raw materials, in this case wood, used in the process of production. Then we may

assume that this constant capital will represent no longer £25,000 but £40,000 out of the total £50,000 and the variable capital available for paying wages will fall to £10,000 instead of £25,000: the rate of exploitation of labour remaining as before 100 per cent. Therefore the surplus value of unpaid labour embodied in the articles of furniture as a whole falls to £10,000. This shows only 20 per cent. upon the same total capital, namely, £50,000; though the smaller number of wage-earners still employed provide the same *ratio* of unpaid to paid labour embodied in the articles of furniture that they did before. They gain nothing whatever by the fall in the rate of profit calculated on the total capital.

Now this process of the increase of the proportion of constant capital to variable capital is, as said, steadily extending in every department of productive industry as the whole system of capitalism itself extends. Constant capital, which engenders no surplus value, is growing proportionally to the variable capital which alone engenders surplus value. Nor is this tendency materially changed, though it may be temporarily affected, by the cheapening of the elements of constant capital, machinery, buildings, raw materials, incidental materials, waggons, and so forth. Consequently, the tendency of the rate of profit is to fall in all capitalist countries, though the rate of surplus value, namely, of unpaid to paid labour, may remain unchanged.

This whole tendency of the rate of profit to fall in all highly-developed capitalist countries is set forth by Marx as follows:

"Given the rate of wages and the working-day, a variable capital of £100, let us say, sets in motion a fixed number of labourers: it constitutes the criterion of this number.

For example, let £100 be the wages of 100 labourers, say for one week. If these 100 labourers perform just as much necessary labour as surplus labour, they daily work as much time for themselves, that is for the reproduction of their wages, as for the capitalist, namely, for the production of surplus value; their total production in value is equal to £200, and the surplus value they have produced amounts to £100. The rate of surplus value, consequently, the ratio of unpaid to paid labour embodied in commodities, would be one hundred per cent. (100 %). This rate of surplus value, cent. per cent., would, nevertheless, express very different rates of profit according to the varying size of the constant capital employed relatively to the total capital embarked. Thus, the rate of surplus value being one hundred per cent.:

"If the constant capital is represented by a money value of £50, and the variable capital by a money value of £100, then the rate of profit on the above assumption represents the ratio which £100, the total amount of surplus value produced, bears to the entire amount of constant capital and variable capital together employed. This is £150. The rate of profit in this case, therefore, is in the proportion of 100 to 150, or 66⅔ per cent.

"But, now, if the constant capital is increased to £100 under the same conditions, the rate of profit is the ratio which £100, the total amount of surplus-value produced, bears to £200, the entire capital employed. The rate of profit here, then, the same rate of surplus-value being maintained, is not cent. per cent., or 66⅔ per cent., but the relation which 100 bears to 200, or 50 per cent.

"So, again, if the constant capital rises to £200, the variable capital still remaining at £100, and the rate of

surplus-value being still cent. per cent., or also £100, the rate of profit falls still further, and is as £100 to £300, or 33⅓ per cent.

"Once more, when the constant capital reaches the amount of £300, the rate of profit is as £100 to £400, or only 25 per cent.

"As a last illustration, take the constant capital at £400. This, added to the variable capital of £100 used to pay the wages of the 100 labourers, gives a total capital of £500. The surplus-value is still £100. Here, therefore, the rate of profit falls still more, and is represented by the relation of £100 to £500, or 20 per cent.

"Thus, the same rate of surplus-value, accompanied by an unchanged scale of exploitation of labour, would express itself in a falling rate of profit; because the amount of the value of the constant capital, and together with this the amount of value of the total capital, grows with its own material bulk, though not in the same proportion."

Hence, says Marx, further, "the progressive tendency of the general rate of profit to fall is only an appropriate expression of the capitalist system of production for the advancing development of the social, productive power of labour." He adds that the whole school of political economists, professors and pupils alike, outside the Socialists, "have failed to expound or explain this law"—of the falling rate of profit—"because they are incapable of formulating the distinction between constant and variable capital in an intelligible and practical shape; and they cannot separate rate of surplus value from rate of profit, or discriminate between gross profit as a whole and its various independent portions, such as industrial profit, ground-rent and interest."

This is as true to-day of the general theorists of political

economy in Great Britain, outside the Marxist school, as it was when Marx wrote. Not a single one of our academic economists has contributed anything of real value to any portion of Marx's analysis, though many of them have exhausted their energies in futile endeavours to frame an economic basis of capitalism which shall scientifically conceal the wholesale exploitation of labour. There is, however, no possible explanation of the falling rate of profit, concurrent with an equal or even an improved remuneration of the workers, and a larger return to capital as a whole, than the solution propounded by Marx.

Hitherto, the operation of the capitalist system has been mainly considered from the point of view of production and realisation by an individual employer, or company. Now, in considering the general distribution of surplus value, or gross profit, and the establishment of an average rate of profit for all capital embarked in productive business, the matter must be regarded from the point of view of capital as a social and not merely as an individual economic force. Thus, returning to two producers of furniture, one manufacturing his cabinets, chairs, tables, &c., by the old hand-work process and another with the best improved machinery, both using the same quality of wood and turning out — which is quite possible — identically similar articles in the same quantity for sale upon the market, the following is obviously the position:

(a) The second producer will have relatively a much larger *proportion* of his active industrial capital employed as constant capital — machinery, raw material, incidental materials, &c.— and a much smaller proportion of his entire capital embarked in the form of variable capital — payment of wages for the purchase of labour-power — than the first producer of furniture.

(b) Whatever the total amount of capital, constant and variable together, may be (which is assumed to be the same for both producers) upon which the rate of profit has to be reckoned, obviously the first producer is paying very much more in wages, that is to say, his variable capital is much larger in proportion to his constant capital, than that of the second producer. Therefore the amount of surplus value embodied in his commodities in the shape of unpaid labour is much greater in the case of the producer who manufactures furniture in the old-fashioned way than in the case of the capitalist using improved machinery. That is beyond dispute.

(c) When, however, manufactured furniture of the same quality is placed upon the market, it is manifest that the two sets of goods will fetch the same price. What has happened? The social power of reproduction, with the less expenditure of labour, comes behind the two sets of commodities and equates them in exchange.

(d) Hence the furniture-manufacturer working with the larger amount of constant capital and the less amount of variable capital takes to himself in realisation a large proportion of the unpaid labour embodied in commodities, in this case furniture, which, in the first instance, nominally belongs to the capitalist who turns out furniture merely by the labour of hand-workers, without machinery.

(e) Obviously, the "organiser of labour" who sticks to the old process must ere long be driven out of the market by the more advanced employer of labour, although his quantity of surplus value to begin with is greater than that of his competitor.

(f) This simple process, clear enough in theory, is being applied all through the market in various departments in actual practice. Capital using on the average larger

amounts of constant capital will inevitably as a rule command the market as against the same total amount of capital producing with smaller amounts of constant capital. The larger the constant capital the greater the relative gain to the capitalist, though the rate of profit, on the total capital employed, is steadily falling all the time. Simple, abstract social human labour, engaged in producing the various commodities for profit, with the surplus value simultaneously created by the unpaid labour embodied therein, forms the basis of the entire system.

(g) It is the competition of capitals engaged in the different branches of industry which establishes the average rate of profit throughout. This average rate of profit in nowise conflicts with the labour theory of values, but, on the contrary, confirms it.

But in the general survey of capitalist production and average rate of profit we have not to deal with segregated instances of capital of higher composition, that is to say capital employing more constant capital, and capital of lower composition, using less constant capital, in direct competition with one another on the field of realisation. The competition covers the whole area of the production of commodities for profit under the capitalist system. Here the general social effect of this system comes into play.

It is thus put by Marx: "Although capitalists in the various spheres of production recover the value of the capital used up in the production of their commodities, by the sale of these commodities, they do not obtain the surplus value or the gross profit created in their own sphere by the production of these same commodities, but only as much surplus value and profit as falls to the share of every portion of the total social capital out of the total social surplus-value, or social gross profit, produced by the total cap-

ital of society in all spheres of production. Every 100 of any invested capital, whatever may be its organic composition, draws as much profit during one year, or any other period of time, as falls to the share of every 100 of the total social capital during the same period. The various capitalists, so far as profits are concerned, are so many shareholders in a share company in which the portions of profit are uniformly divided for every 100 shares of capital, so that profits differ in the case of the individual capitalists only according to the amount of capital invested by them in the social enterprise, according to their investment in social production as a whole.

"That portion of the price of commodities which buys back the materials of capital used up in the production of commodities, in other words their *cost price*"— [the constant capital, raw materials, incidental materials, wear-and-tear of machinery, &c., and variable capital in the shape of wages actually paid out] — "depends upon the investment of capital required in each particular sphere of production. But the other element of the price of commodities, the percentage of profit added to this cost price, does not depend upon the mass of profit produced by a certain capital during a definite time in its own sphere of production, but on the mass of profit allotted for any period to each individual capital in its function as part of the total social capital invested in social production.

"A capitalist selling his commodities at the price of production recovers money in proportion to the value of the capital used up in their production and obtains profits in proportion to the part which his capital represents in the total social capital. His cost prices are definite. But the profit added to his cost-prices is independent of his partic-

ular domain of production, for it is a simple average per 100 of invested capital."

Here the difference between the actual cost of production, and the price of production with average profit added, is set out.

This had been previously expounded more elaborately as follows. C in the tables stands for constant capital and v for variable capital.

"Let us compare five different spheres of production, and let the capital in each one have a different organic composition, as follows:

	Capitals		Rate of Surplus Value	Surplus Value	Value of Product	Rate of Profit
I.	80c	20v	100%	20	120	20%
II.	70c	30v	100%	30	130	30%
III.	60c	40v	100%	40	140	40%
IV.	85c	15v	100%	15	115	15%
V.	95c	5v	100%	5	105	5%

"Here we have considerably different rates of profit in different departments of production with the same degree of exploitation, corresponding to the different organic composition of these capitals.

"The grand total of the capitals invested in these five spheres of production is 500; the grand total of the surplus-value produced by them is 110; the total value of all commodities produced by them is 610. If we consider the amount of 500 as one single capital, and capitals I to V as its component parts (about analogous to the different departments of a cotton mill which has different proportions of constant and variable capital in its carding, preparatory spinning, spinning, and weaving rooms, on the basis of which the average proportion for the whole factory is calculated), then we should put down the average com-

position of this capital of 500 as 390c + 110v, or, in percentages, as 78c + 22v. In other words, if we regard each one of the capitals of 100 as one-fifth of the total capital, its average composition would be 78c + 22v; and every 100 would make an average surplus-value of 22. The average rate of profit would, therefore, be 22%, and, finally, the price of every fifth of the total product produced by the capital of 500 would be 122. The product of each 100 of the advanced total capital would have to be sold, then, at 122.

"But, in order not to arrive at entirely wrong conclusions, it is necessary to assume that not all cost-prices are equal to 100.

"With a composition of 80c + 20v, and a rate of surplus-value of 100, the total value of the commodities produced by the first capital of 100 would be 80c + 20v + 20s, or 120, provided that the whole constant capital is transferred to the product of the year. Now, this may happen under certain circumstances in some spheres of production. But it will hardly be the case where the proportion of c to v is that of four to one. We must, therefore, remember in comparing the values produced by each 100 of the different capitals, that they will differ according to the different composition of c as to fixed and circulating parts, and that the fixed portions of different capitals will wear out more or less rapidly, thus transferring unequal quantities of value to the product in equal periods of time. But this is immaterial so far as the rate of profit is concerned. Whether the 80c transfer the value of 80, or 50, or 5, to the annual product, whether the annual product is consequently 80c+20v+20s=120, or 50c+20v+20s=90, or 5c+20v+20s=45, in all of these cases the excess of the value of the product over its cost-

price is 20, and in every case these 20 are calculated on a capital of 100 in ascertaining the rate of profit. The rate of profit of capital I is, therefore, in every case 20%. In order to make this still plainer, we transfer in the following table different portions of the constant capital of the same five capitals to the value of their product.

	Capitals	Rate of Surplus Value	Surplus Value	Rate of Profit	Used Up C.	Value of Commodities	Cost Price
I.	80c+ 20v	100%	20	20%	50	90	70
II.	70c+ 30v	100%	30	30%	51	111	81
III.	60c+ 40v	100%	40	40%	51	131	91
IV.	85c+ 15v	100%	15	15%	40	70	55
V.	95c+ 5v	100%	5	5%	10	20	15
	390c+110v		110	100%			Total
	78c+ 22v		22	22%			Average

"Now, if we consider capitals I to V once more as one single total capital, it will be seen that also in this case the composition of the sums of these five capitals amounts to 500, being 390c 110v, so that the average composition is once more 78c 22v. The average surplus-value also remains 22%. If we allot this surplus-value uniformly to capitals I to V, we arrive at the following prices of the commodities:

	Capitals	Surplus Value	Value	Cost Price of Commodities	Price of Commodities	Rate of Profit	Deviation of Price from Value
I.	80c+20v	20	90	70	92	22%	+ 2
II.	70c+30v	30	111	81	103	22%	— 8
III.	60c+40v	40	131	91	113	22%	—18
IV.	85c+15v	15	70	55	77	22%	+ 7
V.	95c+ 5v	5	20	15	37	22%	+17

"Summing up, we find that the commodities are sold at 2+7+17=26 above, and 8+18=26 below their value, so that the deviations of prices from values mutually balance one another by the uniform distribution of the

surplus-value, or by the addition of the average profit of 22 per 100 advanced capital to the respective cost-prices of the commodities of I to V. One portion of the commodities is sold in the same proportion above in which the other is sold below their values. And it is only their sale at such prices which makes it possible that the rate of profit for all five capitals is uniformly 22%, without regard to the organic composition of these capitals. The prices which arise by drawing the average of the various rates of profit in the different spheres of production and adding this average to the cost-prices of the different spheres of production are the *prices of production.* They are conditioned on the existence of an average rate of profit, and this, again, rests on the premise that the rates of profit in every sphere of production, considered by itself, have previously been reduced to so many average rates of profit. These special rates of profit are equal to $\frac{s}{C}$ in every sphere of production, and they must be deduced out of the values of the commodities. Without such a deduction an average rate of profit (and consequently a price of production of commodities) remains a vague and senseless conception. The price of production of a commodity, then, is equal to its cost-price plus a percentage of profit apportioned according to the average rate of profit, or in other words, is equal to its cost-price plus the average profit.

"Since the capitals invested in the various lines of production are of a different organic composition, and since the different percentages of the variable portions of these total capitals set in motion very different quantities of labour, it follows that these capitals appropriate very different quantities of surplus-labour, or produce very dif-

ferent quantities of surplus-value. Consequently the rates of profit prevailing in the various lines of production are originally very different. These different rates of profit are equalised by means of competition into a general rate of profit, which is the average of all these special rates of profit. The profit allotted according to this average rate of profit to any capital, whatever may be its organic composition, is called the average profit."

And throughout, as the advance of social production becomes more and more marked, by the application in industry of improved mechanical and chemical improvements and the consequent growth of constant relatively to variable capital the tendency of the rate of profit, as shown, is towards a continuous fall. This means that the social power of production of labour is itself steadily increasing, though the rate of profit may fall temporarily for other reasons. "It is the nature of capitalist production and a logical necessity of its development, to give expression to the average rate of surplus-value by a falling rate of average profit. Since the mass of employed living labour is continually on the decline, as compared to the mass of materialised labour embodied in productively consumed means of production, it follows that the unpaid portion of living labour which creates surplus-value must continuously decrease as compared with the amount and the value of the total capital invested and employed. And inasmuch that the proportion of the entire mass of surplus-value to the value of the total capital embarked constitutes the rate of profit this rate of profit must perpetually fall."[1]

It is not necessary to follow Marx's elaborate exposition

[1] "Capital," Vol. III, pp. 183–186. Untermann's translation slightly modified.

any farther. But we have here a manifest theoretical proof of how it comes about that the great capitals grow constantly bigger. They are forced by competition to embark larger and larger proportions of their industrial capital in machinery, raw materials, incidental materials; in constant capital, in short. In every department of production, from soap, cotton thread, oil refinery, iron and steel founding, food preparation, &c., &c., business is conducted on a larger and a larger scale. Small competitors are undersold and crushed out. Competition, the soul of capitalist production in the earlier stages, gradually ceases and monopolies in the shape of Trusts, Combines, Cartels become the dominant form, not only in direct industrial production, but in transport, distribution, finance, banking, &c. This vast power based upon the exploitation of labour-power can be met and controlled only by the organisation of vast co-operative associations, the direct interference of the community, or the uprising of the co-ordinated and disciplined forces of the owners of labour-power, the wage-earning class itself.

CHAPTER VI

RENT

It is still not unusual for economists to speak of rent as if in its present form, as payment for the temporary use of land, it had lasted through the centuries. But this is as erroneous as to speak of exchange as always prevailing under all forms of society. Rent has its history as exchange has its history; and the competitive and ground rents which are now the rule in Great Britain are quite an exceptional form of land tenure even at the present time. In the primitive communal societies rent, of course, was, and is, unknown. Whether the land settled and cultivated by the tribe or *gens* varied in quality, or was all equally good, made no difference whatever from the point of view of the division of the product among the members of the tribe or *gens*. The soil was co-operatively tilled, and the product was communally divided. Nor did this exclude, in many cases, a most elaborate and scientific system of cultivation and irrigation. In such circumstances, as there was no individual ownership, so also there was no conception of rivalry for possession of the more fruitful tracts. At a later stage, when land was cultivated as personal or family property for a fixed term, and redistributed at the close of the term among the tribal families, rent was still unknown. Throughout ancient society, likewise, rent, in our English sense of the word, rarely existed.

During the feudal period, the personal suit and service due to the superior lord for lands held, when it was changed

into payment in kind out of a proportion of the crop, or even converted into payments in money, was a totally different thing from our modern rent. The historical growth of modern agricultural rent in Great Britain is — from the rent paid in labour or service by the holder to the overlord; to rent paid in produce by the holder to the landowner; thence to the equivalent money rent paid to the landlord; lastly, to the differential rent, paid by the capitalist farmer in money to the landlord, for the use of a superior agent of production.

Rent in the shape of the payment for land by cottier tenants, where the landlord, being in absolute possession, with needy and moneyless peasants all round him, is able to exact all the produce of the soil for himself, less the bare subsistence of the cottier tenants — this rent also is totally distinct from the rent which the well-to-do farmer pays to a landlord for the lease of a farm. This kind of cottier rent we can still see in the south and west of Ireland, all the "fair rent" enactments of the last forty years to the contrary notwithstanding.

Again, rent paid by small farmers with small capital, but not wholly needy, who till their own holdings themselves, with the aid of their family, likewise differs from the system we see around us to-day in Great Britain. And the landlords who obtained rent under this state of things soon found a marked change for the worse, in the amount of rent they could get in proportion to the produce raised, when, owing to the improvements in methods of cultivation and the consequent necessity for the employment of a considerable capital in agriculture, the tenants who undertook to pay rent first estimated the profit on their capital at a satisfactory figure, before they would pay any rent at all.

Interest on farmer's capital formed a deduction from the total possible rent of the landlord.

This last form of rent in its fully-developed shape — the form of rent, that is, paid in money by the farmer who owns capital, to the landlord who owns the land, for the privilege of tilling that land by agricultural labourers whom the farmer employs in order to make a profit out of the produce of their labour — this is the form of rent, so far as agricultural land in Great Britain is concerned, which we have first to consider.

Obviously, this arrangement, by which a capitalist who happens to be a farmer takes land from a person recognised by society as the owner of the soil, and pays rent for it in order to make a profit for himself, brings the whole cultivation of the farm so hired within the range of the rest of the system of capitalist production for profit. The landlord in such circumstances has generally himself advanced, or appropriated from others, capital in the shape of buildings, drainage works, &c., to improve his land; and receives the interest on that capital so advanced, together with the rent which we may assume to be paid for the bare use of the land itself. In practice it is exceedingly difficult, if not impossible, to separate these two portions of the rent. But the fact that the land when hired is used, primarily, for the purpose of obtaining a profit for the farmer out of the produce, differentiates this sort of land cultivation from every other.

Thus the Irish cottiers, the Indian ryots, the peasant farmers and metayers of the whole continent of Europe, even most of the freehold farmers of North America and the Argentina, till the land, in the great majority of cases, under totally different conditions from those which prevail

in England. If they have good land, and enough of it, their circumstances will be good; far superior, of course, to those of the same class who till inferior soils or too small plots of good land. The fact that the American freehold farmer works his land with probably the best appliances obtainable, and that the ryots of India use the primitive tools of their ancestors, makes no more difference in regard to their form of economic production than the land-tax imposed by the Government of India turns the ryots into competitive rent-payers, or constitutes them capitalist farmers. Both American freeholders and Indian ryots are cultivating the soil under conditions and with objects that are totally distinct from the conditions and objects under and for which the English capitalist farmers work their holdings. Nor does the appearance of their food-stuffs on the same market, even though these food-stuffs are indistinguishable from one another, bring them closer to the English farmers in regard to the conditions of production existing in each case.

Having thus, to some extent, cleared the ground, we are in a position to consider agricultural rent as it exists in our present capitalist society. This is the more important that, everybody being acquainted with rent in some shape, all are specially liable to be led astray by theories in connection with this subject. Now what is agricultural rent?

The theory of rent which finds widest acceptance at the present time, and has even been made the foundation of other theories which are put forward as explanations of the whole capitalist system, is the theory of Ricardo. In Ricardo's own words, "rent is that portion of the produce of the earth which is paid to the landlord for the use of the original and indestructible powers of the soil." This

manifestly applies only to agricultural land. It is what is called by many "economic rent" as opposed to the popular conception of rent. Rent in the popular sense, of course, means the payment made for the use of any immovables; and is sometimes still further extended, as when we speak of the rent of type for printing, kept ready for use. In the general sense also rent covers the returns on capital already expended in improvements of the land when it is rented. Ricardo's is a much narrower definition than either of these.

When Ricardo spoke of "the original and indestructible powers of the soil" as the source of the landlord's rent, he was no doubt as well aware as we are that whatever may be the original powers of any soil, none of them, except its position, can properly be called "indestructible." However fertile a soil may be, continued cropping will destroy its fertility, and call for the application of successive doses of manure to restore its exhausted powers. It is still a moot question whether Ricardo intended to include locality within the scope of his original definition. Assuming that he did, it is obvious that, from the rent-exacting point of view, this "power," also, is by no means indestructible; seeing that a shifting of population, or the change of the tidal flow, may entirely destroy, or greatly deteriorate, the rentability of any plot of land which owed its "original" advantage, from the landlord's point of view, to the neighbourhood of a great city, or its vicinity to a navigable river, or to the sea.

It is quite clear, at any rate, that it is not the soil itself but the society living upon that soil which is the main cause of Ricardian as of other rent. The social causes, as Mr. Posnett pointed out, are "(1) Individual ownership un-

shackled by State interference; (2) individual occupancy by a farming class likewise unshackled; and (3) the existence of labourers perfectly free to compete."

In short, the social causes are the individual and private ownership of land, plus the application to the land of the capitalist system of production, with its private ownership of tools and raw materials, and its free labourers who have no property to sell except the power to labour in their bodies. The physical causes of Ricardian rent are "(1) The limited quantity of land; and (2) the varying degrees of its fertility."

And Ricardo himself explains how agricultural rent develops, and its effect when developed, after the following fashion: "On the first settling of a country in which there is an abundance of rich and fertile land, a very small proportion of which is required to be cultivated for the support of the actual population — or, indeed, can be cultivated with the capital which the population can command — there will be no rent. If all the land had the same properties, if it were unlimited in quantity and uniform in quality, no charge could be made for its use, unless where it possessed peculiar advantages of situation."

Here Ricardo speaks of situation for the first time; but a purely social and relative cause such as situation surely belongs to a far wider economic category than "the original and indestructible powers of the soil" on which he bases the landlord's claim to rent. "It is only, then, because land is not unlimited in quantity and uniform in quality, and because, in the progress of population, land of an inferior quality, or less advantageously situated, is called into cultivation, that rent is ever paid for the use of it. When, in the progress of society, land of the second degree of fertility is taken into cultivation, rent commences

on that of the first quality, and the amount of that rent will depend on the difference in the quality of these two portions of land." "If good land existed in a quantity much more abundant than the production of food for an increasing population required, or if capital could be indefinitely employed without a diminished return, there could be no rise of rent; for rent invariably proceeds from the employment of an additional quantity of labour with a proportionately less return."

Again: "The value of all commodities is always regulated, not by the less quantity of labour that will suffice for their production under circumstances highly favourable, but by the greater quantity of labour bestowed by those who continue to produce them under the most unfavourable circumstances; that is, the most unfavourable under which the quantity of produce required renders it necessary to carry on the production." And as a result of this —"It has been justly observed that no reduction would take place in the price of corn although landlords should forego the whole of their rent. Such a measure would only enable some farmers to live like gentlemen, but would not diminish the quantity of labour necessary to raise raw produce on the least productive land in cultivation."

Now, we have here the statements, irrespective altogether of historic development, that rent is due to the extension of the "margin of cultivation" to less fertile soils as population increases; that the application of successive amounts of capital and labour to the same tract of land always results in a less proportional quantity of produce, a view which is known as the theory of "diminishing returns"; and that, owing to the law which governs the exchange of commodities on the market, the price is not affected by the exaction of rent for the use of a more favourable instru-

ment of production, inasmuch that, speaking generally, nobody can tell whether the product offered for sale has been grown on good land or bad.

In these conditions, "Rent is always the difference between the produce obtained by the employment of two equal quantities of capital and labour" on the same extent of land, and "Whatever diminishes the inequality in the produce obtained on the same or on new land tends to lower rent; and whatever increases that inequality necessarily produces an opposite effect and tends to raise it."

Put in a more concrete shape, the meaning is this: Here are two tracts of land each of two hundred acres in extent. The one tract returns just so much corn as will, at the ruling price of grain on the market, pay for the labour employed, and the average rate of interest and average profit on the capital embarked; let us suppose this to be 20 bushels of wheat to the acre. Here we are at the "margin of cultivation," other things remaining as they are. For such land the landlord can demand no rent.

But there is the other tract of 200 acres which produces 28 bushels of wheat to the acre, as a return for the application of an equal amount of capital and labour, instead of 20 bushels. That is to say, 20 bushels out of the 28 pay the labourers for their labour at the current rate of wages, and repay the capitalist his advances, with current rate of interest and average profit, out of the price which their sale realises on the market. There remain 8 bushels over. The money value of these 8 bushels, on the average, the landlord can ask for and get as his share, as the private owner of the land, for the use of it as an agent of production for profit.

Now, if, owing to increase of population on the same extent of land, a third tract of 200 acres, of less fertility,

is brought under cultivation, giving a smaller return, say 15 bushels per acre, to the same amount of capital and labour; then a rise of price will be established, other things remaining the same. The margin of cultivation has been extended. As a result, not only will the 20 bushel land now be able to pay a rent of 5 bushels to the landlord, the previous assumption holding good, but the 28 bushel land will pay a rent of 13 bushels to the landlord instead of 8; that being the difference between the 15 bushel land which it will just pay to cultivate at the new range of prices, and the land which, for the same expenditure of capital and labour, returns 28 bushels.

In short, as Ricardo says elsewhere, the price of the larger amount of grain, or other produce, returned by superior land, goes to the landlord in the form of rent, instead of to the producer or the consumer; after the labourer has been paid his wages and the capitalist has received his profit on his capital.

Such, in brief, and without taking account of variations of supply and the like, is the Ricardian theory of rent, in the form given to it by Ricardo himself. He, as is well known, was anticipated by Anderson to some extent, and owed the completeness of the theory, from his point of view, to the work of Adam Smith, Malthus, and West. Ricardo lived through the great French wars, during which period the island of Great Britain furnished an apt illustration of his theory. The importation of foreign grain was practically excluded; the population was steadily increasing; the capitalist system of production was in full swing on the land; the landlords were in control of the soil as private owners; and the necessity for the extension of the area of food-production brought even the worst lands into tillage, and thus extended the margin of cultivation. In such

circumstances the price of grain rose enormously, owing to the greater quantity of social labour embodied in foodstuffs, and the landlord class, as leases fell in, were able to demand constantly-increased rents for the superior soils they owned, as compared with the inferior soils that necessity called into cultivation.

At this period, and under these circumstances — the application of machinery to agriculture, scientific manuring, and intensive cultivation, with improvements in breeding and rearing live-stock, being still in their infancy — Ricardo's theory might well be accepted without criticism. The price of agricultural commodities continually rose owing to the rise in the cost of production in social labour as determined by competition; the price of manufactured commodities fell at the same time, owing to the introduction of machinery which reduced their cost of production in social labour as determined by competition.

But the deduction drawn by many of his contemporaries, and even, incidentally, by Ricardo himself, that the landlord costs nothing to the community, seeing that his rent did not "enter into" the price of food, is not worth refutation. As well might we argue that the capitalist costs nothing to the community because his profit does not "enter into" price, but is squeezed out of the worker before the price is realised on the market.

The law of diminishing returns to the increasing amount of capital applied to any given plot of land which is mentioned above is also worthy of a little further consideration. The meaning of it is that the more labour and capital expended in cultivating any particular agricultural area, though their application may give a greater amount of produce, this additional quantity is less in proportion than was the return to the original amount of

labour and capital expended on the same area. In other words, if the expenditure of £10 an acre on a farm results in an output of 28 bushels of wheat to the acre, then the expenditure of a second £10 will not produce a return of an additional 28 bushels or anything like it. That, speaking generally, is true enough.

But it is likewise true that up to a certain point on all land an increased application of capital and labour — which of course means in one form or another an increased application of labour — increases the total amount of the produce both actually and relatively. This is now generally admitted, and by the admission another hole is knocked in the theory of rent as formulated by Ricardo, unless further modifications and limitations are introduced. Professor Marshall, who cannot be accused of being, as a rule, very definite about anything, commits himself definitely on this point of increasing and diminishing returns to capital expended on cultivation of the soil; and even tries to apply it to the case of the building of lofty dwellings in great cities as well as to agricultural land. Whether this last is correct or not, it is safe to say that it has nothing whatever to do with the theory as propounded by Ricardo.

It will be observed, further, that Ricardo took no account of the historical growth of rent. Just as we had the aboriginal hunter or fisher exchanging his game or his catch on the most approved principles of nineteenth-century commerce, so we have a society in all its capitalistic panoply of landlord, capitalist farmer and propertyless labourer plopped down into a new country, picking out the most fertile soils to begin with, allowing the landlords to appropriate them, extending the cultivation to the poorer soils as population increased, and so on, as required to suit the

needs of the theory. This was, perhaps, excusable in a treatise on economics written ninety years ago by a man of genius whose very errors are instructive. But when a journalistic joker turns *farceur* after the following fashion, and is even taken seriously by people with no appreciation for humour of this sort, it is time to protest: "Figure to yourself the vast green plain of a country virgin to the spade, awaiting the advent of man. Imagine then the arrival of the first colonist, the original Adam, developed by centuries of civilisation into an Adam Smith prospecting for a suitable patch of Private Property. Adam is, as Political Economy fundamentally assumes him to be, 'on the make,' therefore he drives his spade into, and sets up his stockade around the most fertile and favourably situated patch he can find." Then come others who can't get such good land as this original settler, who has over them an advantage of £500 a year. "Here is a clear advantage of £500 a year to the first comer. This £500 is economic rent. It matters not at all that it is merely a difference of income, and not an overt payment from a tenant to a landlord. The two men labour equally; and yet one gets £500 a year through the superior fertility of his land and convenience of its situation. The excess due to that fertility is rent!"

The full force of this argument will be seen at once from the fact that America was, some three hundred years ago, "a country virgin to the spade." It has since been well colonised. Yet rent of agricultural land, in the form of Ricardian rent paid to the landlord, is still almost unknown. Consequently, we are told that "it matters not at all" whether the farmer appropriates the whole product of his farm to himself or whether he pays rent to a landlord! He pays rent to himself!!

The truth is, as we have seen, that Ricardian rent is quite an exceptional form of payment for the holding of land. Rent of agricultural land in that form depends upon, and constitutes a part of, a fully-developed capitalist society. It is the same with rent as with every other economic category: all are dominated and determined by the stage in the capitalist system of production which the surrounding society has reached.

Land to-day in Great Britain is regarded by the farmer with capital, who rents it from the landlord, from precisely the same point of view as a machine, for using which he pays a royalty to the inventor, is regarded by the industrial capitalist. In the one case the capitalist farmer pays a more or less heavy rent to the landlord for the use of a portion of the soil of superior fertility to the worst in tillage: in the other case the capitalist manufacturer pays a rent to the owner of the patent for the use of a mechanical appliance of superior productive power to the best then applied. In each case the capacity to extract payment arises from a social convention, which recognises the private property of the landlord in the land and of the patentee, or his assigns, in his invention. And, in both cases alike, the capitalist regards the employment of the land, or the mechanical contrivance, as a means of making profit for himself out of the production of saleable commodities created by the labour of his workers.

Thus the capitalist who hires land in present conditions does so in order to extract surplus value from his labourers and therefore make a profit out of it.

This same land is regarded by the landlord as simply the engine whereby he may obtain from the capitalist farmer a money rent and a money rent alone. No personal obligation goes with the contract as a rule, and many landlords

have never seen some of their estates. It is purely a pecuniary connection; for payment in kind, long as it endured, is now practically unknown in England.

Land rented by the landlord and farmed by the capitalist farmer is looked upon by the agricultural labourer, in the third place, much as a factory is regarded by the "hands" who work in it. Divorced from any ownership, or possession, or interest in the soil, as completely as any town artisan, the land is to him simply the raw material on which he toils to get his wages. He forms the third member in our agricultural trinity. But not a trinity in unity by any means. It is as compact a little set of antagonisms as any in our society. For the agricultural labourer, if he has any sense at all,— and what little he had has been almost starved out of him — regards both the farmer and the landlord as his natural enemies; but the farmer as, on the whole, the worse of the two, seeing that, to use Adam Smith's phrase, he is engaged in a "constant conspiracy" to keep down or to cut down wages.

The farmer is, of course, at war with the agricultural labourer on this point of wages, though it would in many cases have paid him well to double the rates of pay in return for the far better work he would get. He also regards the landlord as his natural enemy, unless, indeed, he happens to have got his farm on lease below the market value, which on large estates was, and even now is, not unknown: the landlord deliberately sacrificing direct pecuniary advantages in order to retain the personal or political loyalty of his tenants.

The landlord himself knows that his interests and those of the farmer are economically at variance, but he is unable to make common cause with the agricultural labourer against the farmer; because that would leave him without

tenants, and farming with a bailiff rarely proves advantageous; because, also, he believes that high wages and independence for the labourers would in the long run mean low rents for the landlord — perhaps worse.

Such is the agricultural trinity of antagonistic "freedoms" on which the Ricardian theory of rent is based: a landlord free to get as high rent as he can; a farmer free to get as much profit as he can; a labourer free to get as much wages as he can. All three living in an atmosphere of free sale of commodities in a competitive market.

Rent, then, in its modern sense of Ricardian rent, is due to:

(a) Private property in land;

(b) Capitalist production for profit;

(c) Unrestricted competition among propertyless labourers.

Now, however, comes Professor Amasa Walker, who professes himself to be a "Ricardian of Ricardians," and, in a book written by him in defence of the theory, tells us that the United States and Ireland are the only two considerable countries in which rents closely approximating to true competitive rents have ever been habitually paid! "In England, however," he proceeds, "the very country of Ricardo, competitive rents have never been exacted." This is a strange sort of defence.

For in Ireland, to begin with, one of the chief persons — it is fair to call him the chief person — in the Ricardian trinity is "conspicuous by his absence." The capitalist farmer who pays the landlord rent in return for the use of "the original and indestructible powers of the soil" is rarely to be found in that part of the sister island to which Professor Walker specially refers. And the land for which the cottier tenants paid such exorbitant rents, in propor-

tion to its cultivable value, so far from being originally of superior fertility, has, in the majority of cases, only been made fit for tillage at all by the interminable toil of those same tenants and their ancestors, the result of which the landlord has grabbed as his own. In the United States, on the other hand, with which Professor Walker ought to be very well acquainted, the great majority — it may be said almost the whole — of the farmers own their farms in freehold; and it would take a very elastic definition of rent to bring in the interest on their mortgages as a part of such rent.

Let us now consider the Ricardian theory from the point of view of the recent history of agriculture. Since Ricardo died, enormous changes have taken place; but even at the time when he wrote his statements stood in need of modification. For example, the statement that rent does not enter into price, or is not the cause of price, simply means that private property in land is not the cause of agricultural prices, or that the prices of agricultural products do not depend upon the private ownership of land. But it would be easy to show that private ownership in land in Great Britain since Ricardo's day has restricted the output of home agricultural products, which is a direct economic drawback to the whole community, and may in conceivable circumstances very possibly have enhanced price.

Much more important, however, than this is the effect of American, Indian, and Australian competition on the price of English agricultural products. Population has been increasing in Great Britain rapidly in the past fifty years; yet so far from there having been an increase in the rent of agricultural land, it is notorious that the rents of such land in Great Britain fell from forty to fifty per cent. within the same period, and that in some

counties large tracts of land have gone out of cultivation altogether. To what is this due? In the case of American competition, undoubtedly, first, to the enormous development of cheap transport as compared with the rates charged by English railways, thus bringing the wheat centres of America within thirty miles of London, reckoned by freight; and, secondly, to the application of machinery to the cultivation of the soil on a large scale, thus reducing the cost of production of cereals by the same means that the cost of production of manufactured goods had been previously reduced. With India, in addition to the cheapness of freight for wheat, there was until lately a mechanical currency cause at work tending to reduce prices. This was due to the fact that the rupee had the same purchasing power in India that it had before the great fall in the value of silver relatively to gold.

Clearly, it is not the superior fertility of the soil in either case which has enabled the producers in the United States and in India to undersell English farmers and knock down English rents. Not at all. A series of causes connected with the development of society at the end of the nineteenth century has been at work, and "the original and indestructible powers of the soil," aided by improved processes of production and an extraordinary cheapening of transport elsewhere spelt to the English landlord continuously falling rents in the face of a continuously-increasing population.

Nor was this the case in regard to cereals alone, though the rent of agricultural land is chiefly dependent on their price. Butter, eggs, fresh fruit and canned fruit, cheese, fowls, even meat, fell rather than rose in price in consequence of foreign imports, and the landlord suffered from this cause as well. At the present time the popula-

tion of Great Britain draws at least five-sixths of its total supply of wheat and half its total supply of food from sources outside of this island. So greatly has the area of food cultivation on which the population can draw been extended, so largely have the returns to effective machine cultivation of the soil developed under favourable conditions, that the production of food now stands on much the same footing as the production of manufactured goods. It was not that the "margin of cultivation" varied of itself, but that the social development, as manifested in the facilities for tillage and transport, had gone on at so great a rate as to revolutionise the whole system.

Whither does all this lead us? To the truth that the hire of land, like the hire of any other instrument of production for profit under capitalism, is governed by the consideration of a series of economic circumstances by no means wholly covered by fertility, or even situation. American agricultural production, for instance, averages but 11 to 15 bushels of wheat to the acre. English agriculture contrives still to obtain an average of more than 28 to 34 bushels of wheat to the acre. Land of by no means always first-rate quality, therefore, thousands of miles distant from one of the chief markets for its produce, enabled its freehold farmers to hold their own and more, in competition with other land producing a higher average return to the acre close to that same market.

Hence it might well happen that it would be better for a farmer who understood his business to pay a considerable rent for a farm in the valley of the Mississippi, in Dakota, or on the Sacramento plain, in order to make a profit by shipping grain to London, rather than that he should occupy a farm at a low rent, or at no rent at all, in Devonshire or Suffolk. This, too, although the latter soil might

even be the more fertile, as well as possess the advantage in point of actual situation. But this will only fit in with the Ricardian theory on the supposition that we to a great extent neglect natural fertility, which is the keystone of that theory, and introduce a number of other considerations which are entirely omitted in Ricardo's exposition of the causes of agricultural rent.

Nevertheless, if we assume that all agricultural land has the same advantage in the matter of transport and is tilled with equal skill, knowledge, and command of machinery, then the land which is most fertile will, provided the situation in reference to market is equally good, command a competitive rent *under capitalism* proportionally in excess of that which will be paid for less fertile soils; and Ricardo's theory of agricultural rent depending on margin of cultivation is to that extent true. But even so, in old settled countries, that same fertility is quite as much due to the expenditure of capital and labour on the land in the past, as it is to those "original and indestructible qualities of the soil" which Ricardo postulated.

Agricultural rent, however, by no means exhausts the categories of competitive rent under capitalism. Dead-rents and royalties paid for mines are, in like manner, governed by the same rule that applies to the differential rent of land. For instance, it may be just worth the while of the owner of mineral land, coal, iron or lead, to work it himself with his own capital, or to let portions of it to working miners to work on tribute, he receiving an agreed part of the minerals raised. But the same mines, not being rich, or the seams or veins not easily accessible, would not offer sufficient inducement in the way of profit for a capitalist to undertake to develop the property; paying to the owner a royalty of fourpence or sixpence a ton, or five per

cent. on the gross return. Here, therefore, is no dead-rent or royalty. This is the margin of exploitation for the time being.

All mineral lands of superior quality equally well placed with these will then command a royalty in proportion to their greater richness, or the less difficulty and lower cost of extraction. Similarly, water-power, fisheries, and so on, command a differential rent, according to their relative superiority as agents of production. In every case similar products fetch the same price on the market, that price being regulated by social cost of production determined by competition.

Rent in such cases arises, as in the case of agricultural land, by the demand of the private owner for a share of the produce in return for the temporary cession to the capitalist of his recognised legal right to do what he likes with what society pleases to allow him to call his own. Here, too, manifestly, rent arises from a monopoly of a portion of the earth's surface accorded by society to an individual. The amount of that rent, under the capitalist system of production, is determined by the relative superiority of that portion of the earth which he owns to another portion which it only just pays at the then existing price of the product to develop.

We now come to ground-rent, the rent of land in cities. In this case we find ourselves at once quite outside "the original and indestructible powers of the soil." Even situation becomes a purely social matter. Here, if anywhere, it is clear to everybody that "rent arises from society and not from the soil." Some of the greatest cities in the world have grown up, not where it would seem most convenient to locate them, but in situations quite the reverse of advantageous. Paris itself being a marked instance of

this. Yet, when a considerable population has established itself at any centre, or trade, administration and general use have accustomed the nation or the world at large to visit and deal at this or that city, it takes a long period to bring about any great change.

Indeed, nothing short of such a complete diversion of traffic as that which took place after the conquest of Constantinople and the interruption of the old trade routes to the East seems capable of shaking the supremacy of a great historical city, whether its situation is naturally favourable like that of Genoa, or more or less accidental, as in the case of Venice or Amsterdam. On the other hand, we can see plainly that mere superiority of situation does not necessarily carry with it a great population.

No more remarkable instance of this exists than the contrast between Melbourne and Geelong. The latter city, lying about thirty miles from Melbourne, has a fine harbour, is closer to the great mineral and agricultural resources of the Colony of Victoria, and, as the centre of a large population, would be easy to drain. Melbourne has no better port than an open roadstead, is more remote from the provincial districts of greatest wealth, is very badly situated for drainage, being on a level for the most part with the sluggish Yarra Yarra, and possesses no advantages in the surrounding country to compensate for these drawbacks. Nevertheless, Melbourne has a population of 700,000 against the 30,000 of Geelong; the ground-rents, or the purchase price of sites, in Collins Street and Bourke Street are as high as those in the City of London; while the rents in the smaller city are, of course, comparatively trifling.

Similar, though not such striking, examples of higher ground-rents being obtained for what appear to be origi-

nally and actually, from the point of view of convenience, less favourable sites are common. Moreover, the tendency of great cities, when once established, is, under existing conditions, to grow continuously bigger and bigger. The set of population is steadily from the country to the towns. Nor is this the case only in old-settled countries. Even in America and the Colonies the same tendency can be traced.

As a result of this social movement, hundreds of thousands, and even millions of people are now concentrated within comparatively narrow limits; thus huddled together, not, as in the Middle Ages, for the sake of the protection which the fortifications and common defence of the armed citizens gave them against the nobles and brigands without, but by a series of economic causes which dominate them, instead of being dominated by them.

Consequently, competition for the favoured spots within these narrow limits becomes, from social causes, very keen, and the gain of the owners of the land on which the cities are built is proportionately great. Thus the actual ground-rents of London — the amount of money paid by us Londoners for the privilege of occupying the site of our own city, to a handful of persons whom we choose to consider as entitled to exact it from us — reach the total of more than £20,000,000 a year, and they are increasing at the rate of £200,000 yearly. All this goes into the pockets of the owners of the land, not assuredly from any inherent virtue in the soil itself, still less in the landlords themselves; but from the social development which is going on in every direction, and which is legally compelled by these gentlemen to "stand and deliver" every three, six, or twelve months a fine full ransom in the shape of rent.

The increase of rental value, due solely to the social action of the inhabitants of great cities, is denounced by

some as "unearned increment," and under that name it has been a favourite topic for land reformers and municipal reformers, who are often stone-blind to other forms of monopoly with their unearned incomes. Yet this unearned increment of rent, due to social causes and realised by social convention, constitutes only a portion of the entire unearned surplus-value which private ownership of the means and instruments of production enables the active capitalist class to extract from the unpaid labour of the wage-earners and then divide with others.

City ground-rents themselves are divided into several categories. First, there are the ground-rents which arise directly from the industrial surroundings and constitute a deduction, for the benefit of the landlord, from the surplus-value of the manufacturer, or the profits of the distributor. Under this heading come the ground-rents of factories and workshops as well as the ground-rents of wharves and shops. These rents are high or low according as the plot of land for which rent is demanded is situated favourably or otherwise for production or trade. They are paid by the occupiers as a portion of the cost of the instruments necessary to them for the making, or the realising, of a profit.

Then there are the luxury ground-rents, as we may call them. These are the ground-rents paid to the landlords, not for the purpose of obtaining any advantage in industrial business by the use of the plot of land paid for, but for the enjoyment of the advantages, social, sanitary, or other, connected with a particular site. Such rents are paid by the wealthy out of the surplus value already taken and paid over to them from the unpaid labour of the workers. Here, as elsewhere, competition determines the amount of the actual rent to be paid. Landlords, how-

ever, commonly exact less than the full rent they might get for sites of this sort, in return for capital expended by the leaseholders in improvements, building, and so on. But the landlords themselves generally obtain enhanced rents from public improvements to which they contribute nothing at all, as well as from the increasing pressure of population.

Here, of course, fashion, which is a purely social force, has a great deal to do with the amount of the rents which are demanded and paid; and as fashion changes within the limits of a city, with little reference to the character of the soil, so rents rise and fall. Districts which once commanded very high ground-rents on becoming unfashionable are estimated at a lower level of rent; while districts, formerly unoccupied or covered by a low class of dwellings, become fashionable and return extremely high ground-rents to their owners.

A third class of ground-rents are those which are paid for the sites of working-class dwellings. These are frequently much higher than either the situation or the character of the houses erected on the sites would seem to warrant. Competition for lodgings which are not far from their work compels labourers to pay high rents for the worst possible accommodation, a drawback so far only partially removed by improved transport. These ground-rents, and the rack-rents of the dwellings from which they are deducted, constitute in reality the exaction of a direct tribute from the wage-earning class, in addition to the surplus value indirectly squeezed out of them, in the form of unpaid labour embodied in commodities.

The rents of land converted into a money payment on a competitive basis thus become a secure income to the owner of the land rented, and they have become in the

main so secure, especially in respect to the ground-rents of great cities and market-garden land adjacent to them, that their value is estimated at many years' purchase; twenty to twenty-five years' purchase being frequently given for such rents. Agricultural land, also, is not unfrequently bought to return in rents, after all outgoings, no more than three per cent. upon the capital sum paid. When this is done, the facts are turned round the other way, and it is argued that owners of land are obtaining such a low interest upon their invested capital that they are really benefactors to society by accepting it. The truth being that it is the very certainty of being able to obtain the fruits of other people's labour, under legislative enactment and social convention, which gives so large a capital value to the rental paid.

Again, both in the case of agricultural land and urban land, the landowner obtains, in addition to his rent, the advantage of such improvements as have been made by the tenant. Even compensation for unexhausted improvements does not wholly save the really capable and thrifty farmer from contributing of his capital and the labour of his agricultural labourers to increase the value of the monopoly which the private ownership of land confers upon the landlords in a thickly-peopled country. In cities this is even more apparent. Apart from the unearned increment of rent, as it is the fashion to call it, due to the higher competitive value of land in crowded industrial centres as the population increases, the landowners have another great advantage, which they use to the utmost as against the population, at any rate in Great Britain. They refuse to part with the freehold of their land, and will let it only on building leases, which tend to get shorter and shorter.

Thus the system of private landownership, in a country where capitalist production is fully developed, involves bad tillage in agriculture and bad buildings in towns. The farmer who takes the long lease of a farm, having no real security of tenure, is careful not to leave the land which he has rented in any better heart at the end of his lease than it was at the beginning. It is, therefore, not uncommon to see land, taken on lease for a term of years, admirably farmed for about half or two-thirds of the period, and then gradually let down again to its original level, so that the landlord may not receive a portion of the farmer's own capital, in addition to his rent, as a gratuity on leaving.

How prejudicial this is to the interests of the community it is unnecessary to enlarge upon; nor how harmful, even to the labourers, who, in addition to having to provide the landlord with his rent and the farmer with the interest on his capital and his profit, in return for subsistence wages, are liable to be taken on and thrown off, as it suits the farmer to work his farm on the higher or the lower scale. All this, over and above the growing uncertainty of the labourers' position, owing to the introduction of labour-saving machinery on the land and the substitution of pastoral for arable farming.

In the towns the same anti-social rule governs building operations under similar conditions. Building leases, for 60 to 99 years, granted in the majority of cases to builders whose sole object it is to obtain a profit by enhanced ground-rents, or by the sale of the carcasses of the houses which they run up — such leases as these constitute a direct premium on jerry-building. At the end of the lease the houses built upon the land fall in to the ground landlord, and it is to his interest that they should be well-built. But he cannot push his restrictions too far in this direction, or

he would fail to get capitalists to come in and build upon his land.

Construction for profit, on the chance of meeting a growing demand at a large increase of rent, consequently entails scamping in building, as production for profit entails adulteration in trade. And where this system of speculative building on leasehold land is pushed to its extreme limit, as in London, the class of dwe.lings and warehouses provided are nothing short of disgraceful. The drawbacks to the community, from every point of view, are so great that gradually public authority is beginning to restrict the licence of the landlord and the capitalist in this direction; but no permanent change for the better can be brought about so long as private ownership of land continues.

It seems, therefore, that a wider definition of the rent of land under capitalism is needed than that given by Ricardo, and the following is suggested:

Rent of land is that portion of the total net revenue which is paid to the landlord for the use of plots of land after the average profit on the capital embarked in developing such land has been deducted.

This definition covers not only the rent paid for agricultural land, but also the dead-rent and royalties paid for the right to extract minerals and the ground-rents paid in the cities. It likewise places rent in its proper position in the economic and social arrangements of to-day.

Contrary to appearances, the capitalist, even in the matter of such a primary agent of production and habitation as the land, is enabled to secure his own terms as against the landlord for the employment of his capital, when land is brought under cultivation, when mines are developed, and when town sites are built upon. When leases fall in and the landlord becomes owner of tenants' improvements

as well as of the land, or when the landlord tills, or builds upon, his own land, or mines for his own profit, then rent and profit or interest on capital are necessarily merged in one rack-rent return.

From what has been said, it is easy to draw the conclusion that confiscation of "economic rent," supposing it to be possible to arrive at what economic rent really amounts to in any country, or the confiscation of all rent of land of every sort, would not affect the position of the working portion of the community, unless the money so obtained were devoted to giving them more amusement, to providing them with better surroundings, and the like. Competition for employment under capitalist control would go on as before. Workers' wages would undergo no increase whatever, nor would their social status be in any way improved. The capitalist, however, would be more dominant than ever, and the competition for subsistence wages would continue among the propertyless wage-earners.

In fact, the attack upon competition rents is merely a capitalist attack. That class sees a considerable income going off to a set of people who take no direct part in the exploitation of labour; and its representatives are naturally anxious to stop this leakage, as they consider it, and to reduce their own taxation for public purposes by appropriating rent to the service of the State. That is all very well for them.

But to the workers it makes no difference whatever how the surplus-value obtained by the incorporation of their unpaid labour in commodities is divided up. Whether the landlords take one-fifth and the capitalists four-fifths, or the capitalists absorb the whole five-fifths, concerns the toilers not at all. *They* would not get a farthing of the money in any case: no matter how the burdens were shifted, the

men and women at the bottom would still have to bear the whole weight.

This is why proposals for a single tax upon "land values" have always been ridiculed by economists who know their business, as failing to offer any solution of the land question, or of any other of the pressing social problems of the day. The only result of the confiscation of competitive rents or royalties by the State, and the application of the revenue thence derived to the reduction of taxation, would, as before remarked, be the strengthening of the hands of the capitalist class. For State ownership of rent by itself does not check in the least degree the operations of capital, nor does it involve in any sense the establishment of co-operative production on the land.

So determinedly do some, however, stick to this rent theory that they even contend that, under a Socialist organisation of society, when co-operation had been substituted for competition in every department of production and distribution, rent of land would still exist. But the rent of superior soils, or of superior sites, arises from private property in those soils or sites, and is based upon division of labour and antagonistic classes.

When private property in land ceases, therefore, when human beings cease to strive against one another, and antagonistic classes cease to be, rent will cease too. Rent, in short, will no more exist under the Communism of the future than it existed under the Communism of the past; and the very idea of rent being exacted under Socialism, in order to stop a fight for a dwelling on Richmond Hill, will be regarded by coming generations, if they ever hear of that absurd figment of the imagination, as conclusive evidence of the narrow-minded prejudice of the educated middle-class in the twentieth century.

Rent is due to historic development and social convention. By this social convention private ownership of land is recognised by the community and upheld by law; thus entitling landlords, like their friends and enemies the capitalists, to obtain a large share of the industrial product without doing any productive work.

CHAPTER VII

INTEREST

Interest on money has a long history, anterior even to rent. Interest on capital in its money form is, indeed, much older than rent, and of course very much older than profit in its modern shape. It arose out of the money capital of the merchants or traders of antiquity which established itself in their hands as a sort of social syphon, specially adapted to suck wealth out of both sides, in the exchange and commercial operations carried on by them, as indispensable go-betweens to the small producers of those times.

Standing between the buyers and the sellers of antiquity, the owners of money, who possessed the universal equivalent, traded between the two; and had the opportunity, of which they took the fullest advantage, of getting the better of both. Hence the money capital of this merchant class steadily increased by taking toll of the produce which passed through their hands.

The money power thus obtained was extended, by process of accumulation and hoarding. By degrees, these opulent traders found themselves in possession of sufficient means to continue this commercial business on the increasing scale which the growth of trade demanded; and at the same time they were able to lend a portion of their money at interest to those who needed and could pay for it. Money-owning here appears historically in opposition to, and in antagonism with, landowning.

The economic influence of usury on ancient society was very great. It acted from the first as a revolutionary and disruptive force. Not only did usury help to uproot and destroy the small free producers, but it performed a similar service, though not so completely, for the great slave-worked estates, and converted patriarchal or family slavery, under which the slaves had some chance of being fairly treated, into mere chattel slavery, under which the slaves were regarded as more or less intelligent human machines, provided for the supply of wealth to their masters.

Usurers who advanced on estates, large or small, became, by the pressure they were able to exert, and the wholly anti-social relations they were able to establish, masters of the economic forces of the time; and may be said to have filled, alike in regard to freemen and slaves, directly and indirectly, the position of the successful sweaters of modern days. And they were regarded, both then and in the feudal period which followed,— in which, by the way, they played much the same economic rôle — as an altogether hateful class.

For many centuries the exaction of interest for money lent was universally denounced as usury, and was frequently punished by the law. To lend money in order to beget more money was regarded as an unnatural means of engendering an unnatural offspring. Aristotle speaks of this method of acquiring riches as most reprehensible. Usury, according to him, means money born of money; "so that of all means of money-making this is the most contrary to nature." The philosophers and jurists of the Roman period took the same view.

The Fathers of the Church followed on the same side, and passage after passage might be quoted from their writings, invoking all the wrath of heaven and all the tor-

ments of hell against the greedy, rapacious, usurers who were wicked enough to exact interest for what is nowadays called "pecuniary accommodation."

But the development of the economics of class society took no more account of the furious invectives of the men of God than it did of the milder censures of the pagan philosophers, or of the punishments inflicted upon individual usurers by the pagan law-givers. Economics pay no respect to the law or the prophets. Money-lenders became continually more numerous and more powerful, notwithstanding the intervention now and again by the State on behalf of the debtors; and the only effect of the ban put upon usurers then and later was to raise the rate of interest demanded on money lent; by way of compensation for the greater risk run by the lender of losing not only his advance itself, by way of forfeiture, but certain, to him, very valuable portions of his person into the bargain.

Money, of course, was lent under these circumstances in its corporeal shape as money, as the universal metallic equivalent. With money the borrower could buy anything. Interest was exacted, under such circumstances, not as a share of the profit to be realised by the borrower, nor as a reward of abstinence in the lender for not having spent the money at Corinth or Pompeii before he lent it; but simply because the social necessities of the borrower rendered it imperative, or highly desirable, that he should have the temporary use of the money, and the lender was able to calculate upon this.

There was no question here of industrious, thrifty Charicles lending his plane, or his plough, to the less industrious, less thrifty, or more unlucky Gallus, so that Gallus might smooth more planks or raise a larger crop of wheat; and that then Charicles should participate in the gain due

to the superior appliance which in the way of business he had lent to Gallus. This pretty fairy-tale, which the late M. Bastiat, Mr. Henry George, and others have amused themselves with, has as little existence in fact as the sudden appearance of competitive rent among the original settlers and their kin.

The loan of money from one man to another at interest was, until a comparatively recent period, a pure trading upon the social necessities of the borrower; in the same way that the Indian money-lender, soucar, shroff, bunia, or whatever name he may be called by, trades upon the social necessities of the ryot to-day, when the latter borrows money at sixty per cent. to spend on the marriage of his daughter; or the familiar English pawnbroker trades upon the necessities of the locked-out worker, when he lends the workless Englishman money at twenty or thirty per cent. on his tools or his furniture. This is why usury was so vehemently denounced throughout the period when capitalism was in the germ. Enough of the old communal instinct was still left to feel outraged at this money-mongering.

But the borrowing and lending of money at interest nevertheless attained vast proportions, though not borrowing for the purpose of investment or speculation. Great landowners, successful generals, ambitious politicians borrowed in order to be able to display greater magnificence on special occasions, to give larger donations to the populace, or to buy wider political influence. The smaller men, the small free farmers, colonists, and the like, borrowed for social purposes of more or less importance to them. Similarly, the great noble of the feudal time had recourse to the money-lenders in order to go well-equipped to the Cru-

sades, or to make a fine show at a great tournament, and the smaller men followed in his wake.

Yet all the time usury was regarded as a crime, and law after law was enacted against the hated money-lenders, even by merchants who were in effect taking interest on money themselves. Money-lenders, Jew and Christian alike, were always fair game. Yet they still prospered, and throve in spite of the law, and their sacrifice of ears, noses, teeth, eyes, and even life itself. In England, Act. 13 Elizabeth, cap. 8 of 1570, confirming the Act of Edward VI, Sec. 5, proclaims, in view of the fact that "all usury being forbidden by the law of God is sin and detestable," any loans on which less than ten per cent. is asked render the principal liable to forfeiture; and loans bearing a higher rate of interest not only expose the lender to the loss of his capital, but bring him within the grip of the law for severe punishment as well. This Act was only repealed in 1854! Needless to say that payment of interest had been fully recognised in England and enforced by law long before that date.

The change in the view of interest taken in modern times as compared with ancient is, of course, due to the fact that interest in the twentieth century constitutes as a rule only a participation in profit, or in surplus value, already realised. Or in the case of state or municipal loans the interest paid is in fulfilment of an obligation supposed to have been entered into with the full consent of the whole community. No moral stigma whatever at present attaches to the making of profit, nor, consequently, to the taking of a share in such profit when made. The alteration of conditions came about with the rise of the present complete system of capitalist production for profit.

Those who found themselves in possession of money-capital acquired by commerce, piracy, or slavery, could now lend it not merely to feudal magnates, or needy freeholders, but to their brother capitalists, in the sphere of active production, who wished to make a profit out of the labours of others by employing them as wage-earners to work a new machine or the like.

The capitalist who directly employs his hands and sees his way to realise a satisfactory amount of surplus-value, representing, say, a profit of 20 per cent. reckoned on the total amount of capital embarked, borrows the whole or a portion of what he requires from the capitalist who owns the money, and agrees to pay him a part of this surplus-value — say, 5 per cent.— on his advance in the shape of interest. The capitalist who makes this loan has, as a rule, no control over the operations of the borrower — at any rate, so long as things go right and his interest is paid, or when his principal is paid in due course. He, like the landlord, or rent-receiver, is simply a sleeping partner in the business.

This is equally true whether the money borrowed, for which interest is paid, is used as industrial capital, or as trading capital. In both cases the lender receives his interest, reckoned for this purpose at 5 per cent., in return for parting with his temporary control over the universal social equivalent for exchange-value. It matters not at all how the lender came by the money he advances; whether he inherited it, or stole it, or, as assumed above, made it in trade. He obtains interest for it from the borrower as a portion of the profit realised, not as a reward for his abstinence,— for thrift has had nothing to say in the whole transaction — but as a return for the temporary loan of a social force, namely, money capital, which it is

more convenient for him to part with, under restrictions, to another, than to use himself.

Interest, then, is due to the private ownership of money, as rent is due to the private ownership of land, and interest on money under capitalism takes, for the most part, the shape of a participation in profit. But the amount of private capital which seeks an outlet, in the direction of such a participation in profit under capitalism as is represented by the payment of interest for an advance, soon far surpasses the total amount of coined money in any country. With the expansion of banking and credit, the growth of bills, drafts, cheques, notes, bonds, shares, and so forth, this sort of loanable capital becomes more and more obviously nothing more nor less than a series of orders on other men's labour estimated in imaginary amounts of gold.

As this loanable capital, real or nominal, increases, and security for the payment of the interest and repayment of the principal is enhanced with the stability of any given capitalist society, the rate of interest steadily falls. From, say, 10 per cent. to start with, it comes down to 4. The amount of loanable capital on offer grows, that is to say, and its security increases, in a greater ratio than the demand for it at the current rate for profit-making purposes develops.

How purely this is a matter of social convention will be apparent from the following illustration. A rich man subscribes capital to the debentures of a railway. His advance, which, with other loans, enables labour to be turned into this instead of some other channel, bears the fixed rate of interest of 4 per cent. If now he cuts off the coupons from his debentures each year, and allows his banker to collect them for him in the shape of cheques from the railway company, he will in five-and-twenty

years, by simply leaving the account at his bank without drawing upon it, have in his possession, as the result of receiving these bits of paper, the whole amount of his original advance, and, without toil or trouble on his part, will be able to command twice as much labour as he could five-and-twenty years before. If lent at compound interest all the time very much more.

More than this, his original advance will not only be as secure as it was to begin with, but the railway itself, assuming the social convention under which it was constructed to continue in force, is a far more valuable property than it was, although, owing to the progress of mechanical invention, it could probably be constructed now for half the cost. In fact, monopoly and the fall in the average rate of interest on first-class security, owing to other capitalists having been as abstinent and as saving as himself, has greatly enhanced the capital value of his debentures as an investment.

But it by no means follows that a permanent decrease in the current rate of interest means that the interest-receivers as a class take a less proportion of the total product of the community than they did at the higher rate, in return for having done themselves the honour to be born capitalists, or for having arrived at the sleeping capitalist stage of existence, as "architects of their own fortunes." A very elementary knowledge of arithmetic suffices to teach us that even two per cent. per annum on a million sterling is equivalent to twice ten per cent. on one hundred thousand pounds. If, therefore, the total amount of loanable capital aggregated together in the hands of the possessing classes and lent out at interest increased in a far greater ratio than the rate of interest itself has fallen, as unquestionably was the case in Great Britain before

the war, then, clearly, the relative expropriation of the results of social industry by the interest-receivers has increased, notwithstanding the fall in the rate of interest on first-class security.

Consequently, the argument which is sometimes used that the reduction in the average rate of interest constitutes of itself an advance towards an improved system of production and distribution cannot be maintained. The active capitalist may be able to borrow the whole or a portion of his necessary capital from the sleeping partner, the lender, at a lower rate than before; but in order to carry out his business operations, on the more extended scale required by modern industry, he will have to borrow larger amounts than before, and the total surplus value extracted from the toil of the workers is greater than ever.

A low bank-rate of discount, such as England used to enjoy, carrying with it a low rate of interest on deposits in the various banks, only signifies that confidence having been shaken by great failures, and the initiation of large enterprises, which has passed from the adventurous mercantile class to the timid financial class, having been checked, the amount of loanable capital to deal with first-rate mercantile bills drawn against produce, or to lend on high-class securities already on the market, outgrew the requirements of this particular market. The coupon-cutters and interest-accumulators, in fact, by their "abstinence" piled up deposits to their credit to such an enormous extent that they reduced their own rate of interest by the over-supply to the demand. These deposits are, let it be said again, purely matters of social convention, representing paper orders on other men's labour; from the unpaid portion of which labour, interest, like rent and profit, is derived.

Professor Böhm-Bawerk and writers of his school have been at great pains to discover some basis for interest other than a participation in the surplus value squeezed out of the labourers, owing to a class monopoly of money-capital and credit. Similar efforts, as already observed, have been made by other economists, most bitterly opposed to the exaction of rent by landlords, to place interest and profit on an ethical footing as between man and man. But our modern social conditions admit of no weak moralising of this sort on the assumption of mutual service rendered.

From the ethical point of view, with which here we have nothing to do, wage-slavery is to the full as immoral as slavery. From the point of view of the active capitalist and direct employer of labour — the "captain of industry," the well-paid *villicus* of our day — the sleeping capitalist partner who lends money at interest, no doubt renders him a service by enabling him to extend his operations, and obtain larger profits by the use of such borrowed capital. But from the point of view of the actual producers neither the one nor the other renders any service whatever. They both merely take a portion of the surplus-value, with which the wage-earners are compelled by necessity to furnish them, in the shape of unpaid labour embodied in commodities; standing in this respect practically on the same footing as landlords, bankers, merchants, lawyers, brokers, clergymen, company-promoters and other encumbrancers.

The truth about interest and its source in modern capitalist society is disguised from superficial observers, because it appears, in ordinary business affairs, as a transaction between two different sets of capitalists. Banks and loan-agencies of various kinds lend their deposits, consisting of capital accumulated out of the surplus-value appropriated

from unpaid labour, in the various spheres of industry, to persons possessed of good security who are engaged in different capitalist businesses. Without entering upon the diverse forms which these advances take, it is quite clear that interest on money of itself creates no value. Consequently, interest in every case is a participation in the social surplus-value created by labour, and can have no other origin. The attribution of value-creation to the "thrift" or "abstinence" of sleeping-partner capitalists is an absurdity so ludicrous that discussion of it would be mere waste of space.

CHAPTER VIII

WAGES

Wages have been paid to labourers throughout a very long period in the history of industry, and the variations in their relation to the cost of subsistence have been strongly marked. The rates paid also to skilled and unskilled labourers and to town and country labourers have almost invariably been very different. But never before the complete capitalist system was organised have the vast majority of the workers (as well as the attendants upon the parasitical classes) been compelled to depend upon wages earned by the sale of their labour-power for their sole source of subsistence, as is the case with the propertyless class in Great Britain to-day. In other civilised countries, as already said, a very large proportion of the population is still settled upon the land and, terribly hard as is the work of the farmers, peasants, small holders and share-of-produce cultivators, they are not directly dependent upon the capitalist for their food, housing, clothing and small luxuries. In most cases, much of what they need they produce themselves. It is an arduous and exhausting life, but, so long as those who live it can keep out of debt, an independent one.

Nothing of the kind, on any appreciable scale, remains in Great Britain. The non-possessing class in this island is essentially a proletarian class. It possesses no property. The agricultural labourers are as much the "hands" of the farmers, as the factory operatives are the "hands" of

the industrial capitalists. Moreover, until lately, the bulk of these agricultural labourers were so completely unorganised, and so miserably paid and housed, that they were even more dependent upon the capitalist farmers, over the greater part of the country, than the industrial workers and artisans were upon the town capitalists. This is the reason, apart from the earlier growth of the capitalist system of production in England, why this island is still used as the classical example of the entire field of exploitation of labour and manufacture for profit.

Now, as already frequently stated, people who possess no property, and are destitute of the prospect of inheriting or obtaining any property, have only one saleable commodity at their disposal, by parting with which they can acquire the means of subsistence and shelter for themselves and their families. This commodity is labour-power: the power of labour comprised within their own bodies: the power of labour, the power which alone when put into operation for producing useful articles can embody value in commodities by application to raw materials, &c. This power at the disposal of propertyless human beings the active capitalists, whose existence as capitalists depends upon the continuous production of such commodities, is ready to buy at a price. That price consists of wages paid for the labour-power whose functioning is advanced to the capitalists for a specific purpose, till the expiration of a week, a fortnight or a month.

This labour-power so advanced on credit to the capitalists becomes their property for the time being as a living commodity, like other commodities bought and used in the course of production. It is used by them to create, by its expenditure, articles of social use which can be sold at a profit: such profit being derived from the value over and

above the wages paid for the advance of the labour-power which is embodied in the commodities produced under the capitalists' absolute control.

Now what was the rate of wages paid to the workers of Great Britain prior to the war? It is, of course, impossible to average correctly rates of wages running from 12s. to 15s. a week to agricultural labourers in the Southern Counties up to the 36s. paid to members of the Amalgamated Society of Engineers in London or the still higher wages paid to compositors, or plumbers. The standard of life, the amount of rent paid for housing and the general conditions differ too widely for accurate comparison. But it is certain that, whether the vendor of labour-power be a so-called "unskilled" agricultural labourer, or a highly-skilled artisan, "it cannot be maintained that at any rate the food, clothing, etc., necessary to keep the labourer in the most efficient condition will give us a minimum below which the self-interest of employers . . . will not suffer wages to fall." (Henry Sidgwick.)

This means that, along the whole line, employers purchase labour-power at the lowest possible point decreed by competition, regardless of whether a sufficient subsistence is or is not afforded to the labourer himself. Hunger instead of the whip is also the impelling motive in such competition. The wage-earner is forced, in order merely to live up to the standard of life in his particular trade, to accept the average or Trade Union rate of wages as established by custom and agreement. He is thus virtually the wage-slave of the employing class, whether he be paid a high or low scale of wages. Whether, also, he be a low-grade or a high-grade wage-earner, unemployment for three months at the very outside will see him stripped of his small savings, denuded of his little furniture and his

wife's trinkets, and swept down into absolute penury. This anxiety concerning unemployment and destitution, from which the superior grade of chattel-slave did not suffer, weighs constantly upon the modern wage-earner; while strikes to resist reduction of wages or unfair treatment of any sort from the employer throw him upon his scant Trade Union funds and often end in failure, or little short of it, after weeks of privation.

Thus the economic and social position of even the highest-paid wage-earner, who at times may earn exceptional remuneration, remains almost as insecure and his surroundings are not very far from being as depressing, as those of the workers of a much lower grade. Only by stinting himself and his family and accumulating savings by parsimonious and physically injurious thrift can he hope to rise out of his class into the employing class above. This possibility becomes more and more remote every year, as the necessary amount of capital to start in business increases; nor does the ownership of shares in the mills where he is employed tell much in the direction of greater independence. He is drawn in some measure into the whirlpool of capitalist industrialism with little advantage to himself. The small profits he obtains are, in any case, drawn from the surplus-value created out of his own unpaid labour. Individually, here and there, he may be temporarily and apparently a gainer. But, in the long run, born a wage-earner, a wage-earner he will remain to the end of his working life, so long as the system continues.

Furthermore, the very highly-paid wage-earner, even if, in good times, in the United States, he drives to his daily work in a Ford motor-car, is economically speaking, just as much a wage-slave as the carefully-nourished, educated slave of Crassus remained a chattel-slave, though his lot

was far superior to that of the slaves of the same owner toiling on the land. In short, what Robert Owen, himself an employer of labour on a large scale, said of the capitalist, wage-earning, profit-making system, at the end of the eighteenth century, is just as true at the beginning of the twentieth century: "Under capitalism a man [or a woman] must be either a slave-driver, or a slave."

Now, however, disregarding the various grades of remuneration in the wage-earning class, conditioned by skill, effective Trade Union combinations, and apprenticeship, &c., what was the amount of surplus-value, that is to say unpaid labour, extracted from the producers and essentially necessary social distributors, prior to the great war? To arrive at this amount and its ratio to the total of yearly national income — the word "income" by the way is quite incorrect as applied to the wage-earning class — I make use of the statistics given by Chiozza-Money in his useful little book, "The Nation's Wealth." The total national revenue is put there at £1,844,000,000. Of this sum, the productive wage-earners are credited with receiving £703,000,000. But that figure is excessive. To begin with, it includes the remuneration of domestic servants, obviously, in the main, a purely parasitical class. There were some 2,000,000 such servants up to 1914. Taken as a whole, their remuneration would be understated at £100,000,000 a year. This leaves to the useful wage-earners, roughly, only £600,000,000. But out of this £600,000,000, again, it is reasonable to deduct from the net wages the rent paid back to the possessing and employing class for the wretched housing accommodations provided for the wage-earners as a whole. How much would that be? Not far short of another £100,000,000, reckoning that the workers of Great Britain pay on the average one-

sixth of their weekly wages for housing. But, in order to be well within the mark, let only £60,000,000 be deducted for rent paid to the property-owners out of the remuneration accorded to the wage-earners. We have then £703,000,000, less £100,000,000, less again £60,000,000, or £543,000,000 in all, as the actual payment, calculated on this basis, made annually to the productive and necessary distributive wage-earners of Great Britain up to 1914. I consider this sum to be still too large for the facts, and no allowance is made for the heavy pressure and consequent reduction due to bad trade.

But taking £543,000,000 as the total amount of wages paid to the actual necessary workers of the community out of the grand total of £1,844,000,000, and it appears that the non-producing class and their parasites (including petty distributors who are economically useless) the proportion of paid to unpaid labour in Great Britain is represented by the ratio of £543,000,000 to £1,844,000,000, or, in round figures, 1 to 3½. This means that every useful worker in the country does one hour's work for himself and three and a half hours' work for non-producers: the ratio of unpaid to paid labour being 7 to 2. Make what allowance we please for due remuneration to doctors, surgeons, nurses, teachers, "organisers of labour," architects, necessary small distributors and the like, and we have here a social and economic system erected on a most precarious foundation.

There is also a section of the wage-earning problem which, though well known to exist, has never received due consideration either from bourgeois political economists or from our capitalist society as a whole: nor certainly has any organised and continuous attempt been made to remedy the evils resulting from this admitted fact by society as a

whole. Labour-power is sold at its cost of subsistence and reproduction to the capitalist. But a large proportion of it is habitually sold by the workers in capitalist countries at wages which preclude its owners and vendors from obtaining, by the purchasing value of their wages, a standard of life sufficient to enable them and their families to maintain themselves in reasonable health and comfort. In London, in particular, it was established by the investigations of the Social-Democratic Federation, so long ago as 1884-1887, that more than twenty-five per cent. of the working class lived on a rate of wages which rendered the continuance of such miserable poverty inevitable. The accuracy of the statistics published by the Social-Democrats of a number of average streets in the poorer districts of the metropolis was challenged and their arugments based upon them were widely denounced by the capitalist press as gross exaggeration. A wealthy shipowner took up the subject, in order to prove that the facts were not as stated.

As the originator of the inquiry by the Social-Democratic Federation, I watched for the result of this further more elaborate and expensive work with great interest. The statistics obtained proved conclusively that more than thirty per cent., not five-and-twenty per cent., were perpetually living under the degrading social conditions of underpayment, overcrowding and insufficient nutrition. And so they are at the time of this writing.

The capitalist class of London and Great Britain with the Government of the day has paid no more attention to the facts when they were conclusively established beyond possibility of refutation by one of their own order than they did when they were first made public by the Social-Democratic Federation. Moreover, so long as our capitalist, competitive, wage-earning production for profit goes

on, so long will this state of things endure, not only in London but in all the largest industrial and commercial centres of Great Britain. Averages are proverbially illusory as evidences of well-being in social affairs; but it would appear to be a crushing condemnation of the entire wage-paying system that so large a percentage of useful workers should, as acknowledged, be living under hopeless conditions of this sort. Obviously, so low a standard of life, for so large a proportion of the industrial population, tends to keep down the rate of remuneration for the rest.

Since August, 1914, the economic conditions in Great Britain and all over the world have been quite abnormal. The great and inevitable decrease of production during the war and the large demand for commodities which ensued on the peace, aggravated by the over-issue of paper money and excessive expenditure and waste, led to a very heavy rise of prices in every department. This was necessarily followed by a demand for higher wages and still higher wages throughout the various industries, many of the advances being preceded by strikes or threats of strikes unless the claims of the workers were conceded. It is doubtful, however, whether the additional wages obtained represented on the average more than a nominal gain. Such real advantages as fell to the lot of the workers at home occurred between 1914 and the beginning of 1919, due to circumstances whose consideration lies outside the scope of this volume. The temporary home demand for goods of all sorts in the two years succeeding the armistice and the good trade which followed soon fell off. Great Britain, in consequence of the policy of systematic neglect, favoured by the Government, is now going back to the conditions which prevailed before the period of hostilities when, in spite of all the laudations of capitalist *laissez-*

faire as beneficial to the people, the bulk of the wage-earning class was living from hand to mouth on a low standard of subsistence.

But the influence of the war upon the class struggle has been very considerable in all countries, and, as might be expected, especially in our own, the most advanced country. Trade Unionism has gained enormously in strength. Combined Labour was never nearly so powerful in this island. The numbers of Trade Unionists have increased by leaps and bounds, no fewer than 6,500,000 disciplined workers being represented at the Congress at Portsmouth. Moreover, the tendency is to coalesce the large separate Unions into closer and closer solidarity. It is within the power of a few of these combined forces to hold up the entire trade of the island on a mere question of wages, and the working-class leaders not only negotiate on equal terms with the Prime Minister and other members of the Cabinet but the hostile capitalist press reports the speeches on both sides almost verbatim. This in itself is an extraordinary change, brought about within a very short period.

On the other hand, the growth of fighting organisations, rings and trusts on the side of the capitalists has been almost equally remarkable. In several trades something little short of complete monopolies have been created — national monopolies with international relations. In the building trade it is calculated that from 300 to 600 per cent. profit is realised by the different rings in the various departments of the industry, on the materials required, before the builders themselves and their workers begin to carry out any contract. No method yet devised has been able to cope with such excessive profiteering.

As a consequence, even Trade Unionists are beginning to learn that mere efforts for higher wages cannot, even if

successful, assure permanent well-being for the workers of the community. This has led to stronger and stronger claims for nationalisation and socialisation of mines, railways, shipping, factories, the land, &c. Such claims must end sooner or later in a clear-cut programme for the abolition of the wages system altogether and the substitution of complete social cooperation for anarchical competition. The increasing disposition of the great Cooperative Societies, who supply upwards of a fourth of the consumers, to make common cause with the Working Class Organisations, politically and economically, must help or nd facilitate this transformation — the greatest revolution of all time.

CHAPTER IX

INDUSTRIAL CRISES

In a previous chapter I dealt with the circulation of commodities, and showed how necessary it is that the continuity of the stream should not be interrupted. Any interruption, from whatever cause, means a temporary stoppage round the whole circle, and a consequent breakdown in all, or nearly all, departments of trade. It is common among those who have not fully considered the conditions of modern capitalist production to contend that there is practically no difference between the disturbance of business which arises in modern times, and that which can be traced in ancient history, or in countries where the older forms of production remain to this day.

Thus a famine, a drought, a war, a pestilence, have frequently occasioned, not merely a temporary but a widespread suspension of business relations, inflicting the greatest hardship on large populations. This can occur as easily under the ancient primitive communism as under chattel slavery or feudalism. In such circumstances, any great natural upset of the existing society would bring about very serious distress. But this was due to the lack of the necessaries of life, or other requirements of the society of that time. That people should be going unclothed or unfed, where but shortly before they had been in full employment at good pay, merely by reason of the over-abundance of the goods which they themselves had produced and circulated, this is a peculiarity of modern

times, and a phenomenon wholly unknown before the establishment of the capitalist system. Under present conditions, it is positively the excess of wealth produced, over what economists call "the effective demand" for it, that results in those recurring crises which now come more frequently than ever before.

The difficulty of harmonising the relations of production, when once capitalism and production for profit became the rule rather than the exception, was soon perceived. Our early Poor Laws were to some extent an attempt to deal with this difficulty. The famous Sir William Petty, from whom I have previously quoted, saw clearly that the problem of the unemployed of his day ought to have been dealt with by the collective agency of the whole community. As, for example: "Those who cannot find work (though able and willing to perform it), by reason of the unequal application of hands to lands, ought to be provided for by the magistrate and landlord till that can be done; for there needs be no beggars in countries where there are many acres of unimproved improveable land to every head as there are in England."

Again, the equally famous John Bellers, writing a little later, found the same problem of deserving unemployed facing him, and he says: "By computation, there is not above two-thirds of the people or families of England that do raise all necessaries for themselves and the rest of the people by their labour; and if the one-third, which are not labourers, did not spend more than the two-thirds which are labourers, one-half of the people or families labouring could supply all the nation." And, therefore, it is "a certain demonstration of the illness of the method the people are employed in if they cannot live by it; nothing being more plain than that men in proper labour and em-

ployment are capable of earning more than a living."

"With many commodities the market is over-stocked (and what is the best dinner worth to a full stomach), which is the great unhappiness of many of our mechanics, that they make commodities when nobody wants them. And then they pine and starve whilst they are waiting for a customer that will give bread for their manufactures (or money to buy bread), whereas the same labour in husbandry they used in making them manufactures would have raised much more food than the money they got for their manufactures will buy them," and partly from a more serious cause, for "as traders are useful in distributing, it is only the labour of the poor that increaseth the riches of the nation, and though there cannot be too many labourers in a nation if their employments are in due proportion, yet there may be too many traders in a country for the number of labourers, and then some must fail for the want of trade to support them, from whence they become sharping or distressed, not being used to work, and the nation the poorer by the loss of their labour.

"*Traders may grow rich while a nation grows poor* through extravagancy; for when the dealers may get twenty thousand pounds by claret, the nation pays and spends one hundred thousand pounds for it, and nobody grows rich by drinking it, whatever the seller doth. Land and labour are the foundation of all riches, and the fewer idle hands we have the faster we increase in value; and spending less than we raise is a much greater certainty of growing rich than any computation that can be made from our exportation and importation."

Thus early we see that the excess of commodities in one department might be the occasion of serious distress to the producers. This again would re-act upon those from whom

they themselves were accustomed to buy, raising great difficulties in the way of subsistence for many, by reason of that very original excess. It is sometimes argued that this is still true, and that although it is possible that there may be too much of one commodity produced, it is impossible that there should be a glut in every department of trade at the same time. Unfortunately, however, that is precisely what occurs, and has been exemplified in every great crisis that the last century suffered from. This was true even of the great home crisis that followed upon the peace of 1815.

Everybody thought that peace would bring with it great prosperity, but it was found, to the astonishment of all, that so far from the cessation of war benefiting the working population, at the commencement it made things considerably worse than they had been. The reason for this was given clearly at the time by Robert Owen, who said that the crisis or stagnation in trade was due to the great encouragement given to new mechanical inventions and chemical discoveries, which superseded manual labour in supplying the materials required for warlike purposes, and these, direct and indirect, were innumerable. "The war was the great and most extravagant customer of farmers, manufacturers, and other producers of wealth, and many during this period became very wealthy. The expenditure of the last year of the war, of this country alone, was one hundred and thirty million pounds sterling, or an excess of eighty millions of pounds sterling over the peace expenditure. And on the day on which peace was signed, this great customer of the producers died, and prices fell as the demand diminished, until the prime cost of the articles required for war could not be obtained." "Barns and farmyards were full, warehouses loaded, and such was our

artificial state of society that this very superabundance of wealth was the sole cause of the existing distress. *Burn the stock in the farmyards and warehouses, and prosperity would immediately recommence in the same manner as if the war had continued.* This want of demand at remunerating prices compelled the master producers to consider what they could do to diminish the amount of their productions and the cost of producing, until these surplus stocks could be taken out of the market. To effect these results, every economy in producing was resorted to, and men being more expensive machines for producing than mechanical and chemical inventions and discoveries, so extensively brought into action during the war, the men were discharged, and the machines were made to supersede them — while the numbers of the unemployed were increased by the discharge of men from the army and navy. Hence the great distress for want of work among all classes whose labour was so much in demand while the war continued. This increase of mechanical and chemical power was continually diminishing the demand for, and value of, manual labour, and would continue to do so, and would effect great changes throughout society."

Taking away from these statements the disturbing element of war, Robert Owen gives here a practical analysis of what modern industrial crises are. They arise from a superabundance of commodities having been produced relatively to the "effective demand," thus checking the circulation which has been insisted upon as essential.

Fourier, who observed the first really great international crisis of 1825, noted that this excessive accumulation of commodities was the main feature of the disturbance, and from that time to this, on each successive occasion, the same state of things can be noticed.

Before giving a short summary of these international crises, of which there were eight or nine in the last century — coming at intervals constantly decreasing, and their effects lasting longer when they came — it may be well to give the full theory of such crises, under a system of free, competitive capitalist production, from the point of view of scientific economy.

Our present society moves and has its being in a whole series of antagonisms. As already insisted upon more than once, the fundamental antagonism, so to say, is that between the social form of the method of producing wealth and the individual form of its appropriation and exchange, which still continues. The fundamental antagonism is followed and accompanied by the antagonism between the organisation which exists in each individual factory, farm, or workshop, and the complete anarchy which prevails in the exchange. The organisation during the process of production is pushed to the highest possible point; so much so that any one set of hands coming late to a factory renders it impossible for the whole great engine of industry to act properly. And employers take very good care to see that discipline in this respect is completely maintained. But when we come to deal with the products that are created by the industry of this socially organised whole, we discover that anything like organisation is, as a rule, unknown.

"Go as you please," is the one motto for all under fully-developed capitalism, and the object of each individual employer is to obtain the greatest possible outlet and the quickest sale for his own goods, quite regardless of the interests of anybody but himself.

A third antagonism is that between manual and machine labour, already referred to in the quotation from Robert Owen. When the labourers, owing to an improvement in

business, are able to demand and get better rates of wages than they were paid before, new machines, which previously had not been introduced, are brought into operation, and thus the ingenuity and work of one portion of the working population are used to keep another portion of the same population in economic subjection.

Again, there is the antagonism previously commented upon, between money and commodities. Money must be obtained by the sale of commodities. With his commodities alone, the capitalist cannot buy fresh raw materials, cannot meet his bills, cannot pay his rent. Therefore the moment any hitch occurs in disposing of his goods, this antagonism, which in ordinary times escapes notice, starts up and stares the producer in the face.

Out of these economic antagonisms there arises necessarily a great class antagonism between the employers and the wage-slaves, between the bourgeoisie and the proletariat. To the employers, under our present system, the existence of an unemployed section of the workers is a necessity. The ups and downs of trade require that there should be constantly on the market a set of workless men and women, ready to compete for employment, and anxious in good times to accept wages below what otherwise might be obtained by those in employment, and eager in bad times to obtain work on almost any terms whatever.

Another antagonism appears between the labour of men and women, so that a man's foes, economically speaking, become literally they of his own household; children being employed where it is at all possible, in order still further to lessen the necessity of employing able-bodied men, and consequently bringing in a whole family to earn the amount of wages which, but for this domestic competition, the man, or even the woman, would probably earn alone.

The economic antagonisms here recited are the real causes of the successive industrial crises we are discussing.

Manufacturers do not know, as a rule, what their neighbours are doing. For instance, news reaches a house from its correspondent in India, Australia, or China, that the goods previously encumbering that particular market have at last found a sale; that there has been a good harvest, a fine silk crop, an admirable season for wool or cattle, a splendid return from jute, or opium, or indigo; in fact, that, in the judgment of the writer, business in that part of the world will not only be better for the moment, but that a heavier demand will certainly follow. Meanwhile, he recommends that large quantities of such and such goods should be shipped at once, so that the rival exporters may not step in first after the troubling of the pool of prosperity. Similar advices reach other great firms from their correspondents about the same time. Then the wholesale exporters give orders in hot haste; the manufacturers, who have probably heard of the improvement themselves, take heart, and cautiously raise prices. They feel that dulness and short time and depression have passed away. There is lightness in the commercial air, and exhilaration pervades the whole atmosphere of business operations. Mills or factories begin to set to work in earnest to fulfil the orders which pour in from all quarters. More "hands" are needed to do the work. The "over-population" which Malthusians had been denouncing is absorbed in a twinkling — to enable the manufacturers to take advantage of the "good times."

The good news spreads, and with it the change of "tone."

Those manufacturers who are first in the field order new and improved machinery, which, be it said in passing, increases the whole available supply of labour, and tends,

besides, to keep wages from rising excessively. This, for the time being, gives more work to the machinists and iron-masters. Their prosperity reacts in turn upon the miners and colliers. Prices rise all along the line; the people are in full employment at good pay, for they have soon demanded a rise in wages. In short, the manufacturers are in haste to get rich, the railways get full freights, the growers of raw material find that they can, at ruling rates, profitably grow more of the special staple in which they are interested. There is what, in American parlance, might be called a universal "boom." It seems impossible that a collapse can ever come again, for are not all interested in maintaining this general interchange of products? The working classes, in particular, hope that at last permanent employment at good wages is assured to them; pauperism falls off, and the reports in the columns of the daily newspapers from the great industrial centres are most satisfactory. The very whirl of business prevents men from seeing clearly what is going on around them.

For at this very moment the highest point has been reached. Those same correspondents, who but now were so jubilant, send home doleful tidings to the effect that goods are not moving off so fast as they were, and counsel prudence as to further shipments. In the home market also, the rise in wages, the higher rate of interest, the increase of speculation in all sorts of hopeless enterprises, or investments in foreign bonds, combine to produce a check at the same time. It is found that a portion of the demand has been due to speculation from the outset, or to the purchase of our own goods with our loaned capital. Furthermore, the rise of wages has driven manufacturers to try to get the better of their neighbours by introducing improved

machinery, and thus to produce more at a lower price with fewer hands.

At the very time, therefore, when all looks most hopeful, when business is most prosperous, and employment is most brisk — just at that instant the highest point has been reached in the progress of the industrial cycle, and ere long the downward movement commences. Suddenly, then, there is a great difficulty found in disposing of goods at a profit. The home and foreign markets are alike glutted. Even the cheaper raw material and improved machinery will not suffice to put matters on a better footing. Rather, those manufacturers who have such advantages intensify the crisis by pouring yet more goods at a lower price on an already over-burdened market. Hence short time becomes the rule: men are discharged wholesale from all departments of industry. There are plenty of people wanting clothes, food, house-room; but in order to give them employment, and thus to enable them to obtain these necessaries, the capitalist class must be able to employ them at a profit, and such profit the very glut of goods in the market prevents. Hence comes the renewal of over-population on an enormous and even dangerous scale; whole districts are reduced to the very lowest level; it seems as if such misery could not longer endure.

The depression spreads to every department as prosperity affected every interest. Whence the first check comes matters little, sooner or later all are more or less injured, and we are in the midst of one of those ten-year crises, which, since the year 1825, have had world-wide effect. Such industrial crises, which are sometimes connected with financial upsets, but which may not always bring about the same results, have occurred every ten years for the last

half-century. But the recurring periods have been shortened, and the crisis in each particular trade may not be absolutely contemporaneous with that in others. The destruction they involve to men and material is inconceivable.

When the pressure has lasted long enough for the overproduction, as it is called, to work off, then the renewed demand begins, and the wheel works round once more. Again the workers who have been forced into the workhouse are out on the "tramp"; again the unfortunate hands who have "clemmed" in silence and sadness, hoping for better times, are taken back to labour for their employer's advantage and profit, only to be thrust down into deeper despair at the next stagnation, which is as sure to recur as are the seasons. Thus, in addition to all the uncertainty of new machines and inventions, which may interfere with his scanty wages at any moment; over and above all the evils a workman has to suffer from the revolutionary basis of modern production so opposed to the conservative — the too conservative — methods of old times; on the top of such never-ceasing chances and changes in the conditions of his daily labour, he is certain, once in every ten years at least, to suffer from a congestion in the labour market, owing to no fault of his own, which may throw him out of his former comparative comfort into the lowest abyss of misery and despair.

For the working-class have no control whatsoever over the disposal of the goods which they themselves produce. They are not consulted as to whether these steps should be taken or that course abandoned. Labour has no say, cannot compare notes. There is socialisation in the workshop, in the factory, in the mine, on the farm; and anarchy, absolute, unrestrained anarchy in the exchange. Yet this,

I say again, is the organisation of labour for which the labourers are asked to be thankful; this is the skilful management of production which the capitalist class and their hangers-on make a merit of. Wealth, wealth, ever more wealth here: uncertainty, depression, starvation, degradation for the men, women and children whose labour alone gives value or produces goods. The sole object of the capitalist class being to obtain surplus-value by extra and unpaid labour, the relative over-population produced by machines, and the alternating series of inflation and depression are greatly to their advantage. They are able to make more profit in a shorter time. But these crises tend also to crush out the small factories, the small dealers, the small distributors, and the small handicraftsmen more than ever.

Each period of this description culminates in a whole series of bankruptcies, which, as a rule, means that the trade is driven into the hands of larger and yet larger producers and distributors. Thus the uncertainty of existence extends far even above the mere producer himself, and results in that feverish lust for gain which is one of the worst features in our modern society. All are in haste to get rich, partly because they hope to be clear of the possibility of being left in hopeless penury in their old age. The capitalist system renders essential the economy of the means of production in each separate establishment; but, on the other hand, this is effected by the most wholesale waste of the physical strength of the producers and their means of production, not to speak of the innumerable parasites engendered by the luxury it develops. Capitalist production, to repeat, depends upon the men and women who work being deprived of the means of production and obliged to sell themselves on the market for what is little

more than a bare subsistence wage. But, when once the system is established, its continuance is necessarily ensured upon an ever-growing scale, until the producers themselves combine to take control of the whole means of production in the collective interest.

For the products of the producer continually escape from him into the hands of the class opposed to him. His power of labour is worked up, not only into merchandise, but into capital — into means of production which control him, into means of subsistence, which actually buy the worker himself body and soul. He is the slave of his own production, and is bought with his own necessaries of life, which he himself furnishes in the form of exchangeable commodities. All this is disguised from the workers themselves by the daily or weekly sale of their labour-force; and the fiction that they enter upon a free contract with their employers induces them to stint themselves permanently by serving the machines of another and hostile class. Their consumption of daily necessaries forces them to come day after day upon the market in order to sell themselves afresh to their employers who keep them thus in economical servitude. The relation of capitalist and wage-slave is day by day perpetuated.

"But higher wages," say some, "surely this would in some sort remedy the miserable position you describe. English labourers nowadays are at any rate free to combine, the voting power is increasing in their hands; cannot they master the situation in that way, and secure for themselves some comfort and security?" The conditions need stronger measures, valuable as combination is for every purpose. For the relative over-population which occasions such endless misery in times of depression, and is ever close at hand in the flushest times of trade, is directly due

to the control by the capitalist class of the whole process of exchange, the increasing employment of machines owned by that class, and the growing proportion of constant to variable capital in every business. A man cannot keep his capital without increasing it; accumulation on a larger and larger scale is forced upon the capitalist, and at the same time the increase of the wage-earning class to be employed as administering to luxury, or in producing more and more surplus-value, continues. The payment of wages itself presupposes a certain amount of labour given for nothing, which, on the average of cases in England, is at least two-thirds of the day's work. Wages, in fact, as already stated, are but an order upon a fraction of the value of the wage-earner's production.

Take the best explanation by a middle-class economist of the phenomena of inflation and depression which has just been considered. What says Mr. John Stuart Mill? This:

"A manufacturer finding a slack demand for his commodity forbears to employ labourers in increasing a stock which he finds it difficult to dispose of; or if he goes on until all his capital is locked up in unsold goods, then at least he must of necessity pause until he can get paid for some of them. But no one expects either of these states to be permanent; if he did he would at the first opportunity remove his capital to some other occupation in which it would still continue to employ labour. The capital remains unemployed for a time during which the labour-market is over-stocked, and wages fall. Afterwards the demand revives and perhaps becomes unusually brisk, enabling the manufacturer to sell his commodity even faster than he can produce it; his whole capital is then brought into complete efficiency, and if he is able he borrows capital

in addition, which would otherwise have gone into some other employment. At such time wages, in his particular occupation, rise. If we suppose what in strictness is not absolutely impossible, that one of these fits of briskness or of stagnation should affect all occupations at the same time, wages altogether might undergo a rise or a fall. These, however, are but temporary fluctuations; the capital now lying idle will next year be in active employment, that which is this year unable to keep up with the demand will in its turn be locked up in crowded warehouses, and wages in these several departments will ebb and flow accordingly; but nothing can permanently alter general wages except an increase or diminution of capital itself (always meaning by the term the funds of all sorts destined for the payment of labour), compared with the quantity of labour offering itself to be hired." Again, "Wages depend, then, on the proportion between the number of the labouring population and the capital or other funds devoted to the purchase of labour; we will say, for shortness, the capital. If the wages are higher at one time or place than another, if the subsistence and comfort of the hired labourers are more ample, it is for no other reason than because capital bears a greater proportion to population. It is not the absolute amount of accumulation or of production that is of importance to the labouring class; it is not the amount even of the funds destined for distribution among the labourers; it is the proportion between those funds and the numbers among whom they are shared. The condition of the class can be bettered in no other way than by altering that proportion to their advantage; and every scheme for their benefit which does not proceed on this as its foundation, is, for all permanent purposes, a delusion."

Mr. John Stuart Mill was a Malthusian. His idea was

that the working classes ought to keep down their families to the number which should enable them to get each a larger amount of this imaginary wages-fund. Strange to say, it never occurred to him that this phenomenon of inflation and depression takes place in countries where the population is stationary, or even decreasing, as well as in lands where the number of the people increases. That there has been no want of capital in England to employ the people, is apparent to the most casual thinker. Manifestly, neither the over-population theory to account for the miserable wages of the workers, nor the abstinence theory to account for the accumulation of capital, will hold water for a moment. What abstinence is there in taking so much extra labour for nothing, and then merely debating whether such surplus-value taken from the labourer shall be used to build larger factories, or to expend in luxury abroad? In either case the *enforced* abstinence is on the part of the labourer who gets less for his day's work than the labour-value he provides. The capitalist class takes relatively to the total production of the country an ever-increasing proportion of wealth for its own use. Under our system of unregulated competition, the worker on the average gains nothing, and if he limits his family as a class and reduces the number of available hands — a thing practically impossible — he but accelerates the introduction of new machines, and in due time the re-creation of a relative over-population.

The ordinary explanation of these troubles is empirical in the highest degree. There has been over-production, and, consequently, the markets are unable to absorb the amount of commodities thrown upon them. But why there has been this over-production; why the markets, which but yesterday were exceedingly active, become now depressed

and gloomy; why prices, which were a few months, or even a few days ago, high and profitable, should thus suddenly become low, and involve producers in loss, without any change having taken place in the instruments of production — these are questions which remain wholly unanswered by the ordinary economist.

A certain school of writers, not so much in vogue now as they were some years ago, attribute all the mischief to monopoly of land or the lack of free trade in land. "If," says one school, "land could be transferred from one owner to another as easily as commodities, then," so it is argued, "everybody who possessed the means of cultivating the land being easily able to obtain access to it, there would be no break in the chain of connection between production and consumption, and all would be for the best." Unfortunately for this view, land, in the sense of the school of Cobden, as now represented by the supporters of the "National Reform Almanac" and persons of their views, is perfectly free in the United States of America, and assuredly never before in the history of the race was there a greater amount of undeveloped land to be free with. Yet, in spite of this, and of the presence of one of the most active and capable populations in the way of production of wealth ever seen on the planet, America has suffered perhaps more severely from commercial crises during the last half-century than any European country.

Our Australian colonies have afforded strong evidence on the same side. So that to-day the idea that free trade in land will have any serious effect in preventing commercial crises has faded from the minds of all save those who, having once taken up a theory, resolve that they will be wholly indifferent to facts which inconveniently refute it.

In like manner, with the nationalisation of the land,

meaning thereby a confiscation of rent by the State and the conversion of all holders into State tenants. In India the land is nationalised in precisely that way over the greater part of the British territory, and, in the native States, the greater part of taxation is raised from the land. This, of course, is not rent, in the sense in which rent is understood in England; but it is State nationalisation of land, and the cultivator is owner, subject only to the payment of his State dues. Of course, India is in a very different economic condition from Western Europe or America; but the extreme poverty of the majority of the population — a poverty which has certainly increased and is increasing under British rule and nationalisation of the land — proves conclusively that State ownership of the soil, apart from other considerations, constitutes no high-road to national wealth, and in no wise interferes with those upsets of the capitalist system from which India has suffered just so far as she has been drawn within the vortex of international exchange.

Then, again, there are the Protectionists, who aver that if each country strongly protected its own producers, and thus in some degree rounded itself up from the rest of the world, crises would become impossible, and depression unknown. Once more, the teachings of America, France, Germany, and Victoria, show us conclusively that protection, even when pushed to an exceptional point, is quite powerless to arrest these terrible industrial convulsions, which inflict so much increase of misery on mankind.

But if protection is no remedy, if free land and nationalisation of land afford no relief, if every country which enters into and forms part of the world-wide system of production and exchange that now obtains, is subject to these same convulsions, no matter what its government, and

without regard to its extent, position, or climate, if all this is true — as true it is — then manifestly the Socialist explanation of these purely social phenomena holds the field.

There are other circumstances lying on the surface of modern industrial arrangements, which tend to bring about a more speedy collapse, when the time is ripe for a breakdown, and render a renewal of confidence slower than would have been the case in previous periods. Thus, for example, the greater part of the manufacturing and distributing business of this and other great commercial countries is done upon credit. That is to say, men who are engaged either in manufacture or trade rely upon the discount of their bills, maturing at longer or shorter periods, for the provision of the greater part of their capital. These bills are taken at varying rates of discount, according as the supply of loanable capital is plentiful or the reverse. A turnover of two or three hundred thousand pounds, or even more, in the year, is thus often worked upon an absolute cash capital in the hands of the manufacturer or the merchant not exceeding £10,000 or £20,000. Now, so long as the rate of discount or interest ranges low, say from 2 or 2½ to 4½ or 5, or even 5½ per cent., those who are carrying on business under these conditions can do so at a profit, and therefore without making any inroad upon their original comparatively small capital in proportion to the business which they do. But as soon as the rate goes higher than this, everybody is anxious to realise their commodities in cash in order to meet their bills coming due; there arises a fear that the rate will go higher and higher still, and every one of these weak traders is in fear of his life.

The banks became very careful as to what paper they discount, confidence begins to be shaken, even in the

standing of the best firms, and an access of panic seizes upon the whole commercial community. Immediately there arises a cry for what are called "the means of accommodation," meaning thereby the facility to exchange bills, and the commodities which those bills represent, for money, or money's equivalent, in the form of good bank-notes. The result of this again being that at all times of pressure we hear demands made for an expansion of currency; and a variety of nostrums are propounded which would, it is hoped, bridge over those economic antagonisms that are really the cause of the whole crisis. Nevertheless, a very cursory survey of the crises of the past century would show that they have taken place when the currency has been plentiful, and when it has been scarce; when gold has had a high relative purchasing power, as at the present time, and when it had a relatively low power, as in 1857; when the banking system of a country has been comparatively sound, as in France, and when the banking system has been notoriously unsound, as it was in America in 1857.

Leaving aside the crisis of 1815, the series of international crises of the nineteenth century begins with the year 1825. The upward course of business which had commenced in the year 1817 took a further development in 1819, when the Bank of England resumed specie payments, and a succession of good harvests helped on the period of inflation. Then first was fully felt by all classes the great change which had taken place in the methods of production in England since 1760. In every direction the increase of wealth in the eight years prior to the crisis was something phenomenal. This was the worst period in our history for the working-class in our factory districts. Factory laws were as yet unknown, and the over-work on

starvation wages is something horrible to read of even now. But the middle-class and the capitalists waxed exceedingly rich, and in consequence seemed to lose those better characteristics which had previously gained them wealth and power.

The bubbles of the previous century were re-blown in more glittering and fantastic shapes. The follies of 1824 and 1825 surpassed every previous financial folly. Classes of the population which had never before followed the will-o'-the-wisps of speculation tumbled over one another in their eagerness to put salt on the tails of these flittings of the financial marsh. It was high-day and holiday for the Dousterswivels and John Laws, for unscrupulous schemers and half-insane enthusiasts. Everybody speculated in something: not only the world of business, but the entire population was swept along in the craze for gambling. Old and young, men and women, rich and poor, noble and simple, one and all were drawn into the throng. Even when all the purely absurd and swindling projects are eliminated, and only those are taken account of which have a reasonable claim to solidity, even then the commitments entered into by Great Britain are upon an astonishing scale — a scale rather suitable to the end than to the beginning of the nineteenth century, and certainly more fitly representing the investments of twenty years than of two.

The most ridiculous speculations were entered upon by those who were supposed to possess the shrewdest brains in the city. Money seemed to be rolling in in huge waves. The time was thought to be not far distant when all who deserved wealth could scarcely fail to be opulent, and a millennium of easily-earned incomes of many thousands a year had commenced for the really worthy of the population. Just at the very height of confidence and foolish-

ness, the crash came. In six weeks seventy provincial banks failed, and commercial houses tumbled down one after the other. Being the first sweeping panic of this kind which affected people throughout the country, nobody quite knew what to be at. The remarkable sagacity, of which the commercial classes are supposed to possess almost a monopoly, was entirely wanting at the critical moment. An unprecedented glut of commodities intensified the mischief arising from a sort of universal despair.

Thereupon, Great Britain was over-run with workless people, and as Englishmen had not then learned to starve in silence and quietude, so that the sleep of the blunderers who had ruined them might not be disturbed, riots and tumults were common from one end of the island to the other. Imprisonments and shootings-down, and other law-and-order proceedings of course followed, and the workers were persuaded to return quietly to their hovels lest a worse fate than slow starvation should befall them. By degrees the "organisers of industry" recovered their senses; but it was some time before the effects of this first great international crisis passed away.

Foreign countries, even then, in the days prior to railroads and steam-vessels, felt the injurious influence of English mismanagement. English goods were tumbled at slaughter prices on to foreign markets, and great difficulties were occasioned in financial and commercial centres which had scarcely participated at all in the previous inflation; whilst the great cotton gambling in the United States left behind it a legacy of trouble and uncertainty on the other side of the Atlantic.

This first crisis, however, though exhibiting the same features on a smaller scale as its successors, was as nothing to those which followed. After a period of recovery, dur-

ing which the banking system had a great extension, and speculation and gambling burst out anew, a shock suddenly tumbled down the whole edifice of confidence. This time the shake came from the other side of the Atlantic, and in 1837 and 1839 again were seen all those features of glut, panic, incompetence, and, for the people, destitution and misery, which had been experienced twelve years before.

In this crisis the United States suffered even more than Great Britain. So complete was the collapse that bankruptcy seemed to become the rule rather than the exception. Needless to say, the people who suffered most were precisely those who had no control whatever over the manufacturing, mercantile, and financial machinery to which they fell victims. But the international character of the crisis was manifested more clearly than before. A rise in the Bank rate in England meant a restriction of accommodation all over the world, and people were wringing their hands in hopelessness at a recurrence of a state of things which, had they but taken into consideration the lessons of the previous crisis, they would have seen to be inevitable, so long as the system remained as it was.

This crisis of 1837 to 1839 was the last under the old system of banking in England. In 1844, what was called the Bank Charter Act was passed, concerning which it is sufficient to say here that it is only maintained in existence because everybody in the world of finance knows perfectly well that it will be suspended at any period of exceptional difficulty.

When the Bank of England was re-constituted by this Act on its present foundations the magnates of the City of London were foolish enough to believe that henceforth such troubles as those of the two previous decades would

be rendered impossible. They little understood what was coming. One of the great difficulties in the capitalist system of production, as has been incidentally remarked in a previous chapter, is to regulate and harmonise the amount of capital which shall be expended on works of permanent utility, such as railways, canals, docks, harbours, and the like "affairs of long breath," as the French call them; and the amount which shall be disposed of or allotted to what may be called the day-to-day business.

Now the period from 1839 onwards saw the great development of the English railway system, though the first railway of any importance in this country had been opened between Liverpool and Manchester in 1830. Everybody was anxious to have a hand in this new method of getting rich in a hurry, by providing means of transporting commodities and passengers from one point to another. The rush to make railways was so great, that had one-half the projects formulated been carried out, this island would have been gridironed from one end to the other. Even as it was, what was being done quite surpassed the necessities of the period, and the preposterous premiums to which shares advanced in enterprises that were either hopeless in themselves, or were not then at all ripe for being carried out, prepared the way for a wholesome breakdown.

At the same time, the introduction of free trade in 1846 gave another impetus to trade and speculation. The year 1847 saw an end to all this factitious prosperity, and for the third time within thirty years Great Britain was in the throes of one of those commercial convulsions which speedily spread to other centres. Paris, Amsterdam, and New York, all had their evil period of mistrust and misfortune, as a consequence of the crisis in industry and finance at the centre of international capitalism. Once again tens

of thousands of workers were out of employment and starving, and the famine in Ireland, arising largely from the shipment of food to England to pay absentee rents, still further aggravated the situation. As an evidence of the worthlessness of City calculations, the boasted Bank Act of 1844 proved useless at the first touch of trial.

Not until that Act was suspended, and the directors were permitted to ride rough-shod over the law, was any return of confidence and commercial stability possible. On each occasion, be it remarked, the financial phenomena constitute the superficial portion of the crisis: the really serious part is that which underlies the perturbation of the stock markets. It is the constant renewal of the glut of commodities, and the discharge of hands consequent upon the incapacity to produce more at a profit or to carry out great works any further, that constitute the really dangerous and permanently unmanageable features of the whole business.

From 1847 we pass into the main period of modern development, and between that date and 1857 an expansion of trade, of colonisation, and of gold discovery took place, far transcending anything that had ever been seen before. Railways, steam-vessels, telegraphs, now began to exercise their full influence upon modern commerce, and, simultaneously therewith, the expansion of the great machine industry in our own and foreign countries brought us into the period of fullest development of the capitalist system. There can be no doubt that the gold discoveries in California and Australia, though not the cause of the tremendous inflation which then followed, greatly tended to enhance it, and to widen the area of speculation and gambling. The rise of prices stimulated production and encouraged purchases. America, in particular, advanced in

prosperity by leaps and bounds, longer and more prodigious than anything previously recorded.

Her inhabitants took care to let all the world know of her good fortune, and men persuaded one another that, with such an enormous field to open up and develop, a backset of depression could never come again. The banking system of the United States at this time poured fuel on the fire. It seemed then, to the most far-sighted, that there was nothing but continuous prosperity to look for. But, as always happens at such times, it was just when everything looked most satisfactory that the downfall took place. Everywhere warehouses were choked with goods in anticipation of the high prices which everybody felt confident would be realised by their sale. Everywhere preparations were being made to still further pile up commodities for an anticipated good market. Suddenly one bank stopped payment, and then a *suave qui peut* took place, unparalleled, perhaps, in the mournful history of these crises. Nothing could be sold. Bills previously accounted of the best description could not be met. All the gold from California and Australia was powerless to check the universal panic. From one end of the United States to the other people did not know for twenty-four hours whether they would keep clear of the Bankruptcy Court.

Very speedily bank suspensions, railway defaults, closing of factories, unemployed out on the street, gave evidence that all classes must suffer terribly before any return of confidence allowed the machine again to work with regularity. England on this occasion likewise suffered terribly. Workers were thrown out of work all over the country, the fall of prices rendering it quite impossible to produce at a profit, no matter how much wages might be cut down. Yet, as I have said, during the whole of this period

gold was pouring into Europe on a scale quite unknown at any previous time. The year 1857 exhibited more clearly than ever before the fact that in this species of commercial and financial epidemic no quarantine can possibly keep out the disease. Beginning, as said, in America, it spread with the greatest rapidity to the United Kingdom, to France, Germany, Belgium, Austria, Italy, as well as in due time to India, China, and the Australian colonies. Regardless of barriers and indifferent to governments, this crisis swept on; and even to-day the remembrance of the year 1857 and the anarchy then brought about in financial and industrial affairs, lingers in the minds of all who passed through it, or have been told of it by those who did.

Nine years more, and yet again those who handle the complicated machinery of our modern industrial and commercial business proved themselves incapable of reading the signs of the times. Once more, therefore, this time again beginning in England, a shock was given to credit by the fall of Messrs. Overend, Gurney, and Co. in 1866, the effects of which would have been much worse but for a series of circumstances that gave an exceptional impetus to English trade. It is impossible not to reflect upon the extraordinary short-sightedness of all this, proving again that even the very people who are most deeply interested, owing to class prejudice or the occupations of business, fail to understand what is going on around them, and consequently are wholly incapable of making preparations for a recurrence of a similar set of circumstances.

The crisis of 1873 commenced for the first time on the Continent of Europe, and, strange to say, began in the city of Vienna, which until that date had never exercised any important influence on the finance of Europe, nor indeed has it done so since. Commencing in the month of

May, 1873, the crisis worked wholesale destruction in Germany, in the United States of America, and later on had a most prejudicial influence upon English prosperity; France, which had suffered so terribly from the war of 1870, being the country of Europe which escaped with least loss. I cannot now give any account of the huge building speculation in Vienna and Berlin, the wild fury of speculation in banking and brokerage banks which led up to and helped on the eventual catastrophe.[1] But the effects were such that a complete reorganisation of finance in Germany and Austria followed, which did not prevent the most wholesale misery amongst the working population at the time, nor fail to check legitimate industrial enterprise under capitalist production up to the year 1879.

But the effects of this crisis were exhibited in their most acute form, and could be traced more clearly than elsewhere, in the great Republic on the other side of the Atlantic. The great extension of railroads which had taken place after the Civil War, the rush of European capital to obtain a share in the rising prosperity of this magnificent territory, the steady extension along the lines of railways, as well as through the valleys of the great rivers, the cultivation of all sorts of produce — all these, together had produced an appearance of prosperity which, extending to the mountain regions of the West, and affecting the till then somewhat distressed districts of the South, built up a display of wealth which dazzled all beholders.

With the crisis of 1873 all this real as well as apparent prosperity seemed to fade away like a mirage, and never was the glut of all commodities more clearly exhibited as the

1 Those who wish for further information on the subject may find it more fully treated in my "Commercial Crises of the Nineteenth Century."

cause of crisis following upon economic antagonism, than at this time. True, in 1857, also, good harvests on both sides of the Atlantic, cumbering all the storehouses with grain, produced that terrible irony of men and women thrown workless on the streets, and starving, because food was too cheap and too plentiful for them to obtain it. But in 1873 and 1874 in the United States things looked still worse. With the greatest power to produce wealth that the world had ever seen, and more favourable conditions in every respect to produce it in, between three and four millions of workless and foodless men paraded as hopeless tramps throughout the Republic.

To pass through the principal industrial districts before the crisis and to revisit the same towns during it was indeed a lesson in the anarchy of capitalism. When all was going well, it seemed impossible for men to work enough; wages were high, goods were being thrown upon the market with unexampled rapidity. Furnaces, rolling mills, cotton, wool, and silk factories were all running at full speed. The working population, as well as the middle classes, seemed to think that there could be no end, as before, to this period of "boom." A few months later, what a change! Busy cities comparatively deserted; works at a stand-still; men, women, and children looking round hopelessly — and there is no harder place in the world than America for the poor — for that employment which seemed little likely to come. Yet at this very time all the magazines were bursting with food-stuffs, and the store-houses were literally choked with useful articles that the people were not allowed to turn to useful purposes.

A similar state of things a little later was to be found in England itself, where, though the crisis, as already said,

was not felt so speedily, bad times made their appearance all too soon.

After another prolonged period of depression, involving an amount of unnecessary suffering, merely by reason of the incapacity of organised society to control the greatest means of making wealth that the world has ever seen, another upward period began. But this again was but temporary. The next crisis had its origin in France and was connected with the downfall of the Union Générale. In this case the effect was not so immediately to be observed as in either of the preceding instances; it was rather a slow, grinding depression, than an immediate and sudden collapse. Nevertheless, though not so marked in its features, every country was affected; and in England from 1883 to 1887, or even 1888, there was a period of worklessness for huge masses of the people, and restricted business for the manufacturing, mercantile, and financial classes, which equalled almost anything that had gone before. Once more, in every country where capitalism prevailed, the difficulty in disposing of the accumulation of products in every department resulted in widespread distress for the workers of all civilised nations.

Too much food for the people to have withal to eat; too much of clothing for people to be clothed; too much fuel to provide them with warmth. Such is the anarchy of our order of to-day.

The recovery commenced, as I say, in 1887, and was very short-lived. This, indeed, is a noteworthy feature of all these great crises. They follow one another at ever-shortening distances, and last longer each time that they come. Three years of good trade, chiefly due to the exceptional development of South America, saw the civilised world involved in another and terrible depression. The

great Baring crisis of 1890 is still fresh in the memory of all. First felt terribly in Great Britain, and then spreading with tremendous rapidity to France, Germany, and Austria, it slowly worked its way to America in the west, and to Australia on the other side of the world. It is not too much to say that the five years 1890 to 1895 were in England a period of slow, persistent stagnation, during which the numbers of the unemployed and partially employed exceeded those of which there is any record whatever.

This lack of work arose, as usual, not from deficiency of production, or from abnormally high prices, but from over-supply of the very things required for human subsistence, and the low prices at which they could be obtained. In America matters were worse still. The terrible crisis of 1893 surpassed even that of twenty years before in the injury which it did to the working-people. Wages fell in every department of trade, and the men and women competing for employment upon a market already overstocked found themselves encountered in their own country by swarms of Italians and Hungarians, not only accustomed to a lower standard of life than themselves, but also, from their ignorance of the language, virtually mere slave-driven starvelings.

The mischiefs below reflected themselves above in the collapse of one bank after another, in a succession of bankruptcies almost unparalleled, and in one great railway after another being thrown into the Receiver's hands. Matters must indeed have reached an unprecedented pitch when railway companies of the standing of the New York Central and the Michigan Central, not to speak of private capitalists of enormous wealth, were driven to borrow money on the English market at rates of interest which

far exceeded anything before heard of on similar security.

In Australia, at a slightly later date, the same thing occurred on an even greater scale, regard being had to the disparity in population. It may be said that only three banks in all the Australian colonies kept their heads above water. In Melbourne, the best of real estate in the city itself was almost unsaleable. Sheep-runs, which shortly before had been valued at hundreds of thousands of pounds, could not find purchasers at any price. With millions of acres of good land all around them, with one of the finest climates in the world to enjoy, the problem of the unemployed became as pressing as, and even more dangerous, in Melbourne, Sydney, and Adelaide, than it had been in England. What is remarkable in this most recent group of crises, commencing with 1890, has been the character of the men immediately involved in the ruin and devastation brought about. In America, in Great Britain, in Australia, on the Continent of Europe, it has been the very pick of capitalist society, the highest names in the commercial and even the aristocratic world, that have utterly failed to show any capacity whatever to deal with what they are pleased to call "their own businesses."

Leaving aside cases of individual rascality, which have really become too numerous to consider as in any way exceptional, it is clear that the transfer now completed of the control of adventure and industry from the mercantile to the financial class tends to intensify such crises as those which now so constantly afflict the industrial community. The mercantile class could, and did, enter upon a business which might extend over many years with its own capital, and was prepared to take success or failure as it might come. In their best period, they looked far ahead, and made their calculations with care and ability. The finan-

cial class, on the other hand, necessarily restricts its purview. Its one object is, not the gain of success in the future, but realisation, by sale to the public, of immediate profit in the present. Consequently, the capitalist class of to-day, as represented in its fullest development, is the most short-sighted and incompetent dominant class, from the point of view of the community, of which history shows any record whatever.

But while these crises pass — pass — pass — and come again, unknown to them and unconsciously organised by them, the corrective is developing out of the conditions of the time. Each successive crisis now tends to the still further establishment of industrial monopoly. The smaller organisms in every department of trade are being relentlessly crushed out. Trusts, "combines," "corners," now pervade every department of production, and the monopolies of the twentieth century seem likely to surpass those kingly monopolies of the sixteenth century against which our ancestors rose in arms.

Already the form of industrial and commercial crises underwent in consequence considerable modification at the end of the nineteenth and the beginning of the twentieth century. Capitalism, by the growth of Trusts, Combines, Cartels, Trade Agreements and Manufacturers' Understandings referred to, began to co-ordinate its own anarchical methods of helter-skelter production and realisation. A steady reduction in the number of great banking institutions and a more vigilant survey of the scope of the world-market in each branch of industry tended in the same direction.

As a result, the approach of over-production and glut of commodities in each line of business was taken account of systematically and dealt with by means of restric-

tion of banking credits, gradual rises in the rate of discount all along the line, reduction of output, with consequent "short time" for the wage-earners in the different industries, and a recognition of the existence of a slackening demand for commodities with a lower range of prices. In this way headlong competition was brought under control to a considerable extent. Industrial and commercial crises, after a period of prosperity, were more and more taking the shape of a prolonged dry-rot in trade, with a steady margin of underpaid and unemployed wage-earners; instead of appearing in the shape of such periodical crashes of credit and breakdown of shaky realisations due to over-production all round, which have been briefly summarised above.

In Great Britain, though Trusts and Trade monopolies have not advanced so far as in the United States and Germany, steps were taken by the industrial chiefs to deal in this way with the inevitable outcome of competitive production. The effect upon the working-class of cities and towns dependent wholly upon one staple industry, of this partially organised shrinkage of production and employment, was deplorable. A distinct lowering of the standard of physical and intellectual life was observable. An atmosphere of gloom pervaded the population during these periods of prolonged "bad trade," whose duration extended, with increasing length, at each renewal of depression. So much so, that the years of slack business were exceeding those of activity in several centres and the fringe of unemployment though smaller in dimensions was becoming almost permanent, this fringe of unemployment being a necessity of the continuous functioning of the entire capitalist system.

CHAPTER X

OBJECTIONS TO THE LABOUR THEORY OF VALUE

It was inevitable that, when Marx's theories are being accepted by leading economists all over Europe, and several Governments have had Marxists as their Prime Ministers and Ministers, great efforts should be made to show that these opinions are erroneous. The capitalists, their bourgeoisie and their economists, are still not ready to surrender, without a struggle, either in theory or in practice.

That is natural. A class which nowadays dominates so complex a society as ours, which has produced so many men of genius in the world of science, of art and of letters; which believes that its function as an organising and administrative body is essential to the continued existence and progress of society as a whole; which regards itself as engaged in steadily improving the general status of the human race; which, besides, has furnished even the theorists and the leaders of the new Labour movement, from among its own learned men, may be forgiven when its members refuse to recognise that, like the land and slave owners and the feudal barons and serf-lords of old — who also produced great men in their day — the period of its own downfall is rapidly approaching. And the synthesis of Marx's analysis involves nothing short of such a downfall for them. Hence it is that they, with their economists, carry on the conflict not only in politics, in social affairs, or, when necessary, on the field of physical conflict, but likewise in the department of thought and reason.

Thus the effort has been made to prove that the entire work done by Marx and his school is really of no importance: a mere will-o'-the-wisp, certain to lead the ignorant and credulous into the bog of miscomprehension and illusion. We are told plainly, therefore, that, under the free competitive system of capitalist production for exchange, the relative value of commodities is not determined, on the average, by the quantity of social labour embodied in them. Evidence to that effect is furnished by pointing to natural objects, or raw materials, which, when brought into the sphere of capitalist production by the expenditure of a given quantity of labour-power, are of greater value than other natural objects, or raw materials, of a somewhat similar character, which are made available in the same sphere of capitalist production, by the expenditure of an equal, or only very slightly less, expenditure of labour-power.

Therefore, the raw material of superior quality, created by nature herself, has a higher relative exchange of value, before and after it is brought forward on to the market, than the material of inferior quality belonging to the same class of natural objects. Consequently, the private owner of the superior or exceptional raw material obtains in exchange with other commodities a higher rate of relative value, or a higher price, than the private owner of the inferior raw material, according to the social estimate of the time. That this is, in practice, the truth cannot be disputed.

But the process of capitalist production has only begun, when raw materials grown or furnished by nature, no matter what their respective qualities may be, are taken into the workshop, the factory, the rolling-mills, &c., in order to convert them into finished commodities, by the embodiment of simple, abstract human labour in them. These

raw materials of different qualities and varying values, that is to say, convey no more value to the finished commodities, when produced, appropriated and exchanged, than that which they possessed at the start. They form part of the original constant capital, the value of which neither gains nor loses during the process of production and exchange.

Such alteration of form without change of value involves the appropriation of no surplus-value, nor, therefore, profit for the owner, of the capital, either in the shape of surplus commodities or in the shape of cash, upon the realisation of all the commodities so produced, by sale for money. The origin of surplus value remains where it was before — in the amount of unpaid labour embodied in commodities, for which no remuneration whatever has been given in the wages paid by the capitalist during the period of production. This surplus-value he appropriates first in commodities and then in money.

Yet we are told that the variations in the quality and value of natural objects, *before they enter into the sphere of production and exchange at all,* destroy the whole theory of abstract, social, labour value as measuring the relative value in exchange of commodities which can be indefinitely reproduced! There is no need to labour this statement and its refutation any farther.

But, apart from this contention, there are other points which are insisted upon as invalidating the theory. First, that the concentration of capital in larger and larger masses, for the purposes of production, which Marx predicted, is not being borne out by the facts, as recorded in the countries which are most fully developed economically. In view of what is going on at the present time, it is scarcely necessary to consider this argument. The

chief feature of economic progress, throughout the capitalist world to-day, is the growth of great Trusts, Combines and Monopolies, in every department of production and distribution, with a view to minimising waste, curtailing unnecessary expenditure and limiting cut-throat competition and "over-production" by capitalists in the same branches of trade. Thus the manifest tendency of capital towards concentration in greater and greater masses is obvious.

A few critics have been misled by inaccurate statistics of individual shareholders in Limited Companies, and have persuaded themselves, in consequence, that wealth is much more widely distributed than it is. Edouard Bernstein, in his "revisionist" period, was one of those who made this mistake. But, so long ago as 1913, in two lectures delivered at Buda-Pesth, he frankly and completely abandoned his anti-Marxist views. Clearly, also, even if Marx's anticipations had been falsified, instead of being verified, this would not have affected the truth of his exchange theory in itself.

Secondly, it has been argued that, though the combination of large capitals may have been going on, the independent bourgeoisie have not been crushed out by the competition of the larger capitals embarked in industry, either in the productive or in the distributive sphere. But this again is simply a mistake as to facts. What has actually happened is this: That while the larger bourgeoisie have been displaced or absorbed by the still larger combinations for production and distribution, in some directions, the small shop-keepers have been simultaneously increasing. But these small retailers, who may have increased with the increasing population, are merely petty distributors, attendants upon the wage-earners, part of the hand-to-mouth

proletariat themselves, toiling excessively long hours to secure subsistence by their "profits," and not a Third Estate, a powerful middle class, or bourgeoisie, at all. The difference between these poverty-stricken purveyors to the needs of the worker and the old well-to-do and independent shopkeeping class is too marked to be honestly overlooked even by the most prejudiced critic.

In one direction only is there an apparent exception to this general rule of the concentration of capital, the continued increase in the scale of industrial production and the gradual elimination of the producer on a small scale. This is in relation to the land. It seems now well established that the general tendency, even in countries where there is still a vast "frontier" open to occupation and tillage, is not towards the success of huge factory farms of from 10,000 to 40,000 acres in one block, notwithstanding the great improvement in machinery and scientific manuring, skilled dairy-farming and the like. Relatively small farming, of from 200 to 500 acres in one holding, seems to be on the increase: the unit of profitable farming being lower apparently under such circumstances than might have been supposed beforehand.

Here the law of the concentration and enlargement of capital — where co-operation has not been introduced — comes so far on the next plane. The cultivators, though nominally independent farmers, find themselves at the mercy of, and in effect working for, the great railway companies, elevator companies, creamery companies, canning combinations, banking monopolies, and the like. But the actual concentration of capital for the capitalists and against the farmers goes on none the less rapidly. It is only the concentration of capital on actual land-cultivation which has not proceeded so fast. This is specially no-

ticeable in the United States and Canada. So crushing, in fact, has the tyranny of capital in these secondary departments become, in many districts of these two countries, that the farmers themselves, hitherto the most conservative class in the world, and the least inclined to political action in their own interest, have been literally forced into political revolt, in order to protect their economic status against the combination of profiteers who dominated not only the distributive and financial but the political sphere.

Where these farmers have succeeded in making their political power felt they have organised collectivist, cooperative and limited Socialist agencies to prevent exploitation by capital, and to extend improvement by State encouragement. Here, as elsewhere, therefore, the general movement has been towards the control and ownership of concentrated capital and monopoly in collective interest, and in the United States and Canada the farmers, though not as yet Social-Democrats, have been wise enough to use political action successfully towards collectivist ends.

Thirdly, attempts have been made of late to show that the work of intelligent human beings, in the shape of social service, organisation of labour in factories, in workshops, on the land, and so on *adds* to the value of commodities in exchange, and thus modifies the basis of the labour-value theory. This claim is, of course, not a modification but a direct contradiction of the whole labour theory of value.

But what does a man do who introduces, let us say, a better system of organisation of labour and management into a furniture factory?

This organiser enables the employer to produce a greater quantity of tables, chairs, chests of drawers, desks, and the like with the same amount of human labour

which he used before. There are more useful articles produced, that is to say, by the same quantity of labour. The effect is the same as that resulting from the introduction of an improved machine into the industry. There is, obviously, in both cases, less, not more, human labour embodied in the different or separate pieces of furniture produced, than there was before the work in the factory was re-organised.

What does this mean? That the furniture manufacturer can afford to exchange his commodities, or realise them in gold, for a lower, not for a higher, exchange value, or price, than he did before his "hands" were taught how to economise their labour-power, because, owing to the better organisation, more goods are produced with the same expenditure of labour-power. Thus he can undersell his competitors in the market, unless and until they adopt his improved methods. And he does so to his own profit, not because the application of intelligence to his business has increased the value in exchange of each of his articles of furniture. Quite the contrary. Precisely by reason of that fact that the labour-value embodied in every piece of furniture has been *reduced* by his foresight and superior business aptitude and he can therefore afford to accept a lower price in competition with his rivals.

Therefore, the whole organisation is set in motion again for the purpose of obtaining surplus value, created by the expenditure of labour-power for which no wages are paid, in the manner described in the foregoing pages. The clever organiser or manager has added nothing whatever to the *value* of the products in exchange, whether he acts upon the Taylor system, or any other device for improving the application of labour-power to the production of commodities.

A fourth objection brought forward since the war, and especially since the great influence of extensive labour organisations has been manifested in raising wages to an unprecedented nominal, and even relative, height (in the United States more particularly), is that labourers skilled and unskilled have now reached such a status, owing to these higher wages, which they have secured for their labour-power, and the shorter hours they now work, that it is quite out of place to speak any longer of "subsistence wages" or of the workers as "wage-slaves of capital." Labourers, it is urged, now have the whip hand of capital and can obtain adequate remuneration for their toil, after capital has received a legitimate profit. To speak of wage-earners as proletarians who drive to their work and who are not compelled to toil more than eight, or even seven or six, hours a day is absurd. Such is the view put by a very well-known American Social-Democrat.

But we have yet to see, even in America, where wealth has been piled up during the past seven years at a rate quite unprecedented in economic history, that this remarkable relative prosperity for the wage-earners will be maintained. In Great Britain, the uncertainty of maintaining wages at their present level relatively to the existing high prices has already impelled most of the labour leaders to strive for a reduction of the prices of the necessary articles comprised in the standard of life of the workers in preference to pressing on in the vicious circle of higher wages, higher prices, and *vice-versâ*. This is due to the fact, proved to them by actual experience, that the endeavour to raise and to keep wages at a level which represents a high standard of subsistence, in the face of rapidly rising prices, is by no means easy and involves, in many cases, loss and privation by strikes, which have been serious and frequent of late years.

Even the very highest wages, also, and that illusory capitalist arrangement, profit-sharing,— feeding a dog with sections of his own tail — do not change in the very least the basic conditions of capitalism; by which the toilers are divorced from any control over their own means of making and distributing wealth, suffer from constant anxiety as to how long full employment will last, and are quite unable to emancipate themselves from that domination of the capitalists and bourgeoisie which constitutes them, however well-paid, a wage-slave class. So long, likewise, as capitalism and production of commodities for profit and exchange last, so long as they are obliged to sell their labour-power for money wages to the class which owns the means and instruments of production and distribution, including the land — so long will they remain a wage-slave class, no matter how thickly their chains may be temporarily gilded by high remuneration.

Finally, we have the supposed economic contradiction between the Third Volume of the "Capital" and the First. This is the only point which really affects Marx's theory as a theory. But we must begin the consideration of this assumed contradiction with a passing reflection upon the strange inconsistency of even his ablest opponents. Was Marx the man of extraordinary ability which they one and all admit him to have been? Did he throughout his career invariably exhibit a masterly capacity for analysis and an admirable command of logic and dialectic in all its forms? Unquestionably he did. Could he be, at one and the same time, an absurdly confused thinker, who worked sixteen hours and more a day during the greater part of his life in chase of an economic will-o'-the-wisp which landed him in a bottomless bog of hopeless incompatibility at the close of his arduous career? Yet that is what the majority of

his critics virtually contend that he was. This is an incompatibility far greater than that which these same critics allege that they have discovered in his writings. How reconcile, then, these contradictory evaluations of Marx's intelligence? How account, besides, for the awkward fact that Engels, himself a political economist second only to Marx, and a very shrewd and successful man of business into the bargain, was afflicted with the like mental incapacity, not only during his intimate friend Marx's lifetime, but for many years after his death?

The whole idea is one tissue of absurdity. Marx knew perfectly well what he was about, from the beginning of his work, which led to his publication of "*Zur Kritik per Politischen Economie,*" in 1859, and all through. Neither he nor Engels was in the slightest degree misled by a chimera. There is no contradiction whatsoever between the First Volume of the "Capital" and the Third. As a matter of fact, the elaborate notes left behind by Marx for the Third Volume were made, and the general tenour of the whole volume was decided upon, before the First Volume was begun. There was not, therefore, and there could not have been, any attempt on Marx's part, he being in collusion with Engels, to fudge in the Third Volume a solution to the problem which Engels propounded, in his preface to the Second Volume, after his friend's death; which problem remained wholly unsolved by Marx's critics during the years that elapsed before the appearance of the denounced Third Volume.

The truth is that one and all of Marx's critics in this matter, and some even of his followers, fail to comprehend thoroughly the very foundations of that great writer's systematisation. He was engaged upon an elaborate analysis and explanation, in the first place, of the general laws of

political economy in the abstract, under the economic, historic and social conditions of his time, as a mathematician might investigate the general laws of mechanics, or of vibrations. Precisely the same with the theory of social labour-value in exchange and the consequences deduced therefrom.

The main reason why this theory has been misunderstood, by those political economists who have honestly declared against it, is that they have not thoroughly grasped the full meaning of constant capital, as distinguished from variable capital, in the sphere of capitalist production, and, consequently, have failed to comprehend whence surplus value is derived, why rate of profit differs from rate of surplus value, and to understand the general effects of the relations between constant capital and variable capital, in the functioning of the progressive capitalist system. Now in the varying composition of active capitals engaged in industry, the constant portion which consists of machinery with its wear-and-tear, raw materials, incidental materials, &c., as already stated, is always becoming relatively larger and larger, as society advances in industrial development. This constant capital, with all its constituent values, contributes no additional value to the resultant commodities in the course of production. None whatever.

The variable portion which is devoted to the purchase of labour-power by payment of wages becomes on the other hand relatively smaller and smaller. This variable capital it is which, as explained, not only is reproduced in the commodities as the social labour value of the wages paid to the workers for their labour-power and embodied in the commodity, but provides the surplus-value, consisting of unpaid labour embodied in the same commodities, which is the object of the whole transaction. As has been seen in

the chapter on "Profit," the rate of profit is reckoned on the whole of the capital embarked, constant capital as well as variable capital, and as the constant capital relatively to the total capital embarked continuously increases and the variable capital which comprises in its purchase the value-creating labour-power continuously decreases, relatively to the total capital embarked, the rate of profit *must* continuously fall.

This no one before Marx had ever explained.

So, likewise, in regard to the partition of surplus value and gross profit into its various distributive parts. This surplus value is *engendered* in the sphere of production: it is only *realised* in the sphere of circulation. Commodities are commonly sold by the individual capitalist producer at a price considerably *below* this actual value in exchange, such value, as a whole, comprising, of course, the total surplus value embodied in the course of production, and, temporarily, at the disposition of this capitalist producer. In that way he hands over a portion of the surplus value he has obtained from the unpaid labour of his work-people embodied in commodities (these reckoned as the gross profit on the whole of his own capital embarked in the business) to be divided up, apart from rent, among the capitals engaged in other branches of business; which, of themselves, though necessary to the realisation in cash of surplus value and profit, may produce no surplus-value whatever.

Now it is perfectly true that if of two industrial capitals of equal size, functioning under the same conditions, one capital is composed of a large proportion of constant capital [capital embarked in machinery, raw materials, incidental materials, &c.] — with a relatively small proportion of variable capital — [capital embarked in paying wages for the purchase of labour-power] — and another

capital consists of a small proportion of constant capital with a relatively large proportion of variable capital, it is directly contrary to Marx's entire theory of labour-value that both these capitals should produce the same amount of surplus-value.

But then Marx nowhere says that they do or can. Far from this, he expressly states in the Third Volume that this is quite impossible. Thus: "If a capital consisting of 90 per cent. of constant capital plus 10 per cent. of variable capital produces as much surplus-value, or gross profit, with the same degree of exploitation, as a capital consisting of 10 per cent. of constant capital plus 90 per cent. of variable capital, then it would be as clear as daylight that surplus-value, and value in general, must have an entirely different source from labour, and that political economy would then be destitute of any reasonable foundation." Nothing could possibly be more stringently put than that. Yet Marx is accused of having "admitted" in his Third Volume that his whole labour theory was unsound!

In the First Volume of "Capital" the operations of the individual capitalist, with his own special set of workpeople and the surplus-value they produce by their labour, are dealt with. In the Third Volume the manner in which the total surplus-value is obtained and the gross profits are divided up among the various groups of capitalists is investigated and the way in which an average rate of profit upon capital as a whole is arrived at. We are no longer looking on at the proceedings of the individual capitalist: we are occupied with the entire social capital and the partition of the whole of the surplus-value produced by all the wage-earners under capitalist control.

Under these conditions, capitals of equal dimensions as a whole receive equal amounts of *profit,* regardless of their

composition in constant and variable capital. This is due to the fact that, although they do produce different amounts of *surplus-value,* the capital which contains most constant capital obtains, in the course of exchange and realisation, part of the surplus-value created by the capital which contains most variable capital: the different capitals engaged in the various spheres of production and distribution receiving their remuneration in the shape of *average* profit, according to the ordinary rules of competition and supply and demand.

The reason why this explanation has not been grasped by Marx's critics, and is imperfectly understood by some of his own followers, is that they do not distinguish between the "price of production" and the ordinary "cost of production"; because, also, they will persist in considering the question of the apportionment of general profit, derived from the social unpaid labour of the wage-earners at large, among the capitals engaged in social production and distribution, from the point of view of the individual capitalist, and his personal appropriation of the surplus value produced by the unpaid labour of his own "hands."

Consequently, they fail to comprehend how it comes about that capitals with relatively greater amounts of constant capital in their composition obtain for their goods when realised prices higher than their exchange value, measured in the social labour-value embodied in them; while capitals with relatively less constant capital in their composition obtain lower prices for theirs. This is in complete consonance with, and not in opposition to, the social labour theory of value.

CHAPTER XI

THE FINAL FUTILITY OF FINAL UTILITY

The growth of general interest in political economy, or economics, and the increasing number of people of all classes who devote themselves to the serious study of this difficult subject is one of the most hopeful signs of the times. We are manifestly in a period of crucial transition, alike economically and politically. It is impossible, however, to deal consciously with this development, due in the main to the productive forces of our time, unless the system in which we are at present living is understood, and its tendencies are comprehended by, at any rate, a considerable fraction of the active part of the community.

Consequently, discussions on the theoretical basis of economics are more necessary now than ever before. If there are among educated and thoughtful men two diametrically opposed and incompatible theories in regard to what regulates the exchange value of the commodities which constitute the wealth of our modern society, nothing is to be gained by shading over the antagonism between these conflicting schools of thought. Far better is it, in my opinion, to accentuate the differences which undoubtedly exist on this point, in order that students may be led to think out the whole question for themselves, uninfluenced by mere authority, or great reputations on either side.

The object of this chapter is to expose the fallacies of the theory of Final Utility as a measure of value. The theory is, of course, associated with the name of Professor

Stanley Jevons, and is accepted at the present time by many academic economists. If I can show that this theory is merely an obscure way of re-stating the old supply-and-demand thesis of Lord Lauderdale, Bastiat, and others; that its originator does not adhere to it himself; that neither in his own hands nor in those of his followers has it solved any great problem or led the way to any discovery, but, on the contrary, has rendered confusion worse confounded, and has given rise to the most ridiculous conjectures and absurd assumptions; that also his principal supporter himself abandons his master's own dialectic — if I succeed in doing this, I venture to think that I shall have justified the title of my chapter.

I may say, however, that I do not propose to inflict any portion of the Differential Calculus upon my readers. If it pleases my critics to aver that my not having set out in full Homersham Cox's proof of Taylor's Theorem is irrefragable evidence that I am incapable of understanding how it comes about that a quarter of wheat and a definite sum in gold constitute an equation of value in London to-day, I shall not attempt to controvert them. Neither shall I raise any objection if they constate that my inability to discover the locus of the curve of human greed, or to express the limits of human happiness in the form of an algebraic expansion, inevitably prevents me from fathoming the mysteries of capitalist production for profit. I shall allow all the missiles of $\frac{dy}{dx}$ to fly round my head without dodging, and the fragments of Conic Sections that may be aimed at me will not disturb my intellectual equanimity for a moment — *impavidum ferient ruinæ* — the *débris* of shattered arguments are not rendered more for-

midable by being enveloped in useless mathematical formulæ.

"Repeated reflection and inquiry," says Jevons at the beginning of his work on "The Theory of Political Economy," "have led me to the somewhat novel opinion that *value depends entirely upon utility.*" Ricardo had already answered this bald and "somewhat novel" statement by anticipation when he wrote: "When I give 2,000 times more cloth for a pound of gold than I give for a pound of iron, does it prove that I attach 2,000 times more utility to gold than I do to iron? Certainly not: it proves only that the cost of production of gold is 2,000 times greater than the cost of production of iron. If the cost of production of the two metals were the same I should give the same price for them; but if utility were the measure of value it is probable I should give more for the iron. It is the competition of producers . . . which regulates the value of different commodities. If, then, I give one shilling for a loaf and 21 shillings for a guinea, it is no proof that this in my estimation is the comparative measure of their utility."

But it would appear that Jevons, who protests most reasonably, as other economists have done before and since, against the use of the word "value" to express various meanings in economics, plays the same trick with the word "utility" on his own account. He is analysing, or attempting to analyse, the ratio of exchange in a society in which, economically speaking, exchange is the dominant factor. It is not merely the superfluity which is exchanged after the needs of the producers themselves are satisfied, nor is production for exchange the object of one portion of the community, and production for immediate use that of another. All goods are produced for exchange on the market of the world; and, in the majority of cases, the

articles produced are of no utility to the persons who produce them.

The commodities are produced under the control of a particular class, namely, the capitalists, for profit; and chemical, mechanical, and other improvements are going on which fall into the hands of this dominant class and are used by them, in competition with their fellows, to extend their own market, and lessen that of their rivals. The determining element in this struggle is cheapness. The scale of production is, however, determined by these same social considerations. A manufacturer cannot produce on the scale which he himself pleases. That is determined for him by his surroundings. He must use the best machinery, and organise his hands in the most approved method, or submit to being crushed out by those who read the signs of the times and translate them into action better than he can.

Nowadays, also, it is not demand which invariably precedes supply, but supply which in many cases anticipates and almost forces demand. Furthermore, the utility of different articles thus produced by capitalists for exchange is determined, not by their real utility, in the sense of usefulness to the consumers, but by the social position and purchasing power of those consumers in the society of the time. Purchase and sale of course involve sale and purchase: a quantity of saleable values on the one side which the owner is ready to sell, and a quantity of saleable values on the other side with which the owner is willing to buy. The production and the consumption are in such conditions purely and manifestly social; but the exchange, likewise a social function, is conducted under individual control, because appropriation of the product is still under individual (or capitalist company) ownership.

It is the production and exchange of commodities in such conditions, I say, which Professor Jevons sets himself to examine. According to him, when two commodities are exchanged on a free market, the production of such commodities being practically capable of indefinite increase and not restricted or monopolised — this is the essence of competitive capitalism — then that exchange, so effected, proclaims that the "final utility" of the two sides of the trade equation is the same. This, and not the quantity of simple, abstract, social human labour embodied in the commodities on either side, determines the "ratio of their exchange," their relative value. But let Jevons speak for himself, only taking note of the fact that he investigates social phenomena from the purely *individual* point of view of *individual* interest, *individual* desire, and *individual* labour.

"Utility," he says, "though a quality of things, is no inherent quality. We can never, therefore, say absolutely that some objects have utility and others have not. The ore lying in the mine, the diamond escaping the eye of the searcher, the wheat lying unreaped, the fruit ungathered for want of consumers, have no utility at all. The most wholesome and necessary kinds of food are useless unless there are hands to collect and mouths to eat them sooner or later."

How scientific, how enlightening, how truly philosophic is all this! Platitude reduced to its final imbecility could surely no further go. "Nor, when we consider the matter closely (!), can we say that all portions of the same commodity possess equal utility. A quart of water per day has the high utility of saving a person from dying in a most distressing manner. Several gallons a day may pos-

sess much utility for such purposes as cooking and washing; but, after an adequate supply is secured for these uses, any additional quantity is a matter of comparative indifference. All that we can say, then, is that water, up to a certain quantity, is indispensable; that further quantities will have various degrees of utility; but that beyond a certain quantity, the utility sinks gradually to zero; it may even become negative, that is to say, further supplies of the same substance may become inconvenient and harmful."

That is to say, a flood may sweep everything away and drown "a person" who might, without a quart of it, have died of thirst!

Jevons proceeds to apply the same luminous method of investigation to bread and clothes, and then goes on: "Utility must be considered as measured by, or even as actually identical with, the addition made to a person's happiness. It is a convenient name for the aggregate of the favourable balance of feeling produced — the sum of the pleasure created and the pain prevented. We must now carefully discriminate between the *total utility* arising from any commodity and the utility attaching to any particular portion of it. Thus the total utility of the food we eat consists in maintaining life, and may be considered as infinitely great"— didn't Esau, when famishing, sell his birthright for a mess of pottage? — "but if we were to subtract a tenth part from what we eat daily our loss would be but slight. We"— who are we? —"should certainly not lose a tenth part of the whole utility to us. It might be doubtful if we should suffer any harm at all"— obviously Jevons had only the well-fed or over-fed classes in his mind.

"Let us imagine the whole quantity of food which a

person consumes on an average during twenty-four hours to be divided into ten equal parts. If his food be reduced by the last part, he will suffer but little; if a second part be deficient, he will feel the want distinctly; the subtraction of the third tenth will be decidedly injurious; with every subsequent subtraction of a tenth part his sufferings will be more and more serious, until at length he will be on the verge of starvation"—last of all the man died also!

And then Mr. Jevons is good enough to squirt a few pages of mathematics at us to illustrate, or obscure, this his most exquisite reasoning on the theory of value in exchange. But he gives it all over again a little later, returning to his favourite water illustration. "We cannot live without water, and yet in ordinary circumstances we set no value on it. Why is this? Simply because we have so much of it that its final degree of utility is reduced nearly to zero. We enjoy every day the almost infinite utility of water, but then we do not need to consume more than we have. Let the supply run short by drought, and we begin to feel the higher degrees of utility of which we think but little at other times."

What is all this but the old "supply and demand" with a veil over its face? Compare Lord Lauderdale:

"With respect to the variations in value, of which everything valuable is susceptible, if we could suppose for a moment that any substance possessed intrinsic and fixed value so as to render an assumed quantity of it constantly, under all circumstances, of equal value, then the degree of all things, ascertained by such a fixed standard, would vary according to the proportion betwixt the quantity of them and the demand, and every commodity would of

course be subject to a variation from four different circumstances.

"1. It would be subject to an increase of its value from a diminution of its quantity.

"2. To a diminution of its value from an augmentation of its quantity.

"3. It might suffer an augmentation in its value from the circumstance of an increased demand.

"4. Its value might be diminished by a failure of demand.

"As it will, however, clearly appear that no commodity can possess fixed and intrinsic value so as to qualify it for a measure of value of other commodities, mankind are induced to select as a practical measure of value that which appears to be least liable to any of these four sources of variation which are the sole causes of alteration or value.

"When in common language, therefore, we express the value of any commodity, it may vary at one period from what it is at another, in consequence of eight different contingencies:

"1. From the four circumstances above-stated, in relation to the commodity of which we mean to express the value.

"2. From the same four circumstances in relation to the commodity we have adopted as a measure of value.

"Water, it has been observed, is one of the things most useful to man, yet it seldom possesses any value; and the reason of this is evident: it rarely occurs that to its quality of utility is added the circumstance of existing in scarcity; but if, in the course of a siege, or a sea-voyage, it becomes scarce, it instantly acquires value; and its value is subject

to the same rule of variation as that of other commodities." [1]

Reduced to their elements, all Jevons' "final utility," "esteem," and the like, are contained in that passage. It is unnecessary to quote Ricardo's criticism in view of other portions of this chapter which follow. But it is surely manifest that in a free market, for commodities which may be increased to practically any extent, the phenomena of supply and demand are but superficial. What really regulates the relative exchange value is the quantity of social human labour embodied in the commodity on the two sides, the demand and supply fluctuations being averaged over longer or shorter periods.

The form of price to which Lord Lauderdale refers does but give the quantity of labour embodied in commodities, its name in money. Now "magnitude of value expresses a relation of social production; it expresses the connection that necessarily exists between a certain article and the portion of the total labour-time of society required to produce it. As soon as the magnitude of value is converted into price, the above necessary relation takes the shape of a more or less accidental exchange ratio between a single commodity and another, the money commodity.

"But this exchange-ratio may express either the real magnitude of that commodity's value or the quantity of gold deviating from that value for which, according to circumstances, it may be parted with. The possibility, therefore, of incongruity between price and magnitude of value"—the productive power of labour remaining constant—"or the deviation of the former from the latter, is inherent in the price-form itself. This is no defect, but,

[1] "An Inquiry into the Nature and Origin of Public Wealth," pp. 15–16.

on the contrary, admirably adapts the price-form to a mode of production whose inherent laws impose themselves only as the mean of apparently lawless irregularities that compensate one another." [1]

But our Professor is not content with "utility," "final utility," and "commodity." He treats us to a theory of "discommodity" or "disutility," which, it seems, too, is a something which, being a nuisance, helps us to realise the conception of value in exchange. So fond is he of this notion also that he repeats it two or three times. The sewage of great towns, for instance, "*we can hardly call it a commodity,*" (!) "acquires a higher and higher degree of disutility the greater the quantity to be disposed of."

But now, to use Jevons' phrase, let us investigate the subject a little more closely: "In exchange for a diamond we can get a great quantity of iron, or corn, or paving-stones, or other commodity of which there is abundance; but we can get very few rubies, sapphires, or other precious stones. Silver is of high purchasing power compared with zinc, or lead, or iron, but of small purchasing power compared with gold, or platinum, or iridium." Why is this? Because — it is Professor Jevons who tells us so —"nothing can have a high purchasing power unless it be highly esteemed in itself; but it may be highly esteemed apart from all comparison with other things"— what on earth has this to do with exchange-value then? —"and, though highly esteemed, it may have a low purchasing power because those things against which it is measured are still more esteemed."

From which it should now appear that not "utility" but "esteem" is the measure of the value of commodities.

1 Karl Marx, "*Das Capital,*" p. 132.

But then Jevons puts the whole thing right in this way:

"(1) Value in use equals total utility.

"(2) Esteem equals final degree of utility.

"(3) Purchasing power equals ratio of exchange."

All which no doubt advances our knowledge greatly!

But the main point is that labour embodied in commodities is not the measure of their value; though, strange as it may seem, "economists have not been wanting" who have advanced this monstrous proposition. "But though labour is never the cause of value"— what does the word "cause" mean here?—"it is in a large proportion of cases the determining circumstance, and in the following way: *Value depends solely on the final degree of utility* [otherwise 'esteem']. *How can we vary this degree of utility? By having more or less of the commodity to consume. But how shall we get more or less of it? By spending more or less labour in obtaining a supply.*

"According to this view, then, there are two steps between labour and value. Labour affects supply, and supply affects the degree of utility, which governs value, or the ratio of exchange. In order that there may be no possible mistake about this all-important series of relations I will re-state it in a tabular form as follows:

> *"Cost of production determines supply;*
> *Supply determines final degree of utility;*
> *Final degree of utility determines value."*

The italics throughout are Professor Jevons'. I think everyone will agree with me that nothing can be more strenuously put. The Professor was exceedingly anxious that there should "be no possible mistake" about that

which he manifestly regarded as the keystone of the arch of his whole theory.

Now hear his most distinguished disciple and follower on this very passage. He speaks of the "loose and inaccurate" terms of the statement quoted, and goes on: "Let us turn then to examine the chain of causation in which Jevons' central position is formulated, in his second edition, and compare it with the position taken up by Ricardo and Mill. He says: 'Cost of production determines supply,' &c., as above. Now if this series of causations really existed there could be no great harm in omitting the intermediate stage and saying that cost of production determines value. For if A is the cause of B which is the cause of C, then A is the cause of C." Surely a very economic Daniel come to judgment. "But,"—pray mark this, Mr. H. S. Foxwell; read it, Mr. Philip Wicksteed, and inwardly digest it, Mr. Sidney Webb —"but in fact there is no such series!"

So far as I am aware, not one of the minor lights of the Jevonian firmament has twinkled out a reply to this direct and rather brutal contradiction. Which is right and which is wrong or whether both are in error, does not concern me at present.

For, in truth, it is not necessary to go beyond Jevons himself to show how much importance we need attach to his utility views. For instance (at p. 186 of the third edition, p. 181 of the first edition, of his "Theory of Political Economy") he says: "It may tend to give the reader confidence in the preceding theories when he finds that they lead directly to the well-known law, as stated in the ordinary language of economists, that value is proportional to the cost of production." When I first read this passage,

more than five-and-forty years ago, I threw down the book. I felt that I had been made a fool of through the previous 180 pages, which, indeed, had conveyed not a single fresh idea to my mind. It is as complete a self-exposure as Henry George's famous economic bull, that all which is not wages is rent.

But Professor Jevons must needs set out an equation of ratios to confirm the matter. At p. 191 we find the following:

$$\frac{\text{Value per unit of x}}{\text{Value per unit of y}} = \frac{\text{cost of production per unit of x.}}{\text{cost of production per unit of y.}}$$

or, in other words, *value is proportional to cost of production.*" Once more the italics are Professor Jevons'. "As, moreover, the final degrees of utility of commodity are inversely as the quantities exchanged, it follows that the values per unit are directly proportional to the final degrees of utility"— have we reached the final degree of futility through all this wearisome logomachy? For if "the ratio of exchange"— in other words, the value —"of any two commodities will be determined by a kind of struggle between the conditions of consumption and production," which is the temporary higgling of the market, influenced by supply and demand on either side, and "value is proportional to the cost of production," we are merely landed where the classical school of economists placed us 80 years ago. We have, in fact, what Jevons himself calls "the well-known and almost self-evident law that articles which can be produced in greater or less quantity exchange in proportion to their cost of production. The ratio of exchange of commodities will, as a fact, conform in the long run to the cost of production."

And again, "Thus we have proved"— by certain mathematical formulæ —"that commodities will exchange in any market in the ratio of the quantities produced by the same quantity of labour. But as the increment of labour considered is always the final one, our equation also expresses the truth that *articles will exchange in quantities inversely as the cost of production of the most costly portions, i. e., the last portion added.*"

The sentence italicised by Jevons is most unscientifically and incorrectly expressed. If, for example, in an open market, say for typewriters, "the last portion added" is more cheaply produced than all the rest, then beyond all question this last portion, if added in sufficient quantity, will reduce the exchange value of all similar articles to its own lower level in comparison with other articles whose cost of production remains stationary. But all this is temporarily determined by the higgling of the market. The law that commodities exchange on the average in relation to the quantity of simple, abstract, social human labour embodied in them, asserts itself in despite of fluctuation.

No attempt whatever is made by our Professor, be it observed, to analyse this "cost of production," this "quantity of labour." Jevons takes the phrase as he found it and leaves it there. Jevons was wholly ignorant of German, an ignorance which his followers have for the most part themselves assiduously cultivated. Yet it might have been thought that, by the year 1879, Jevons would have heard of the celebrated system of Marx, based upon simple, abstract, social human labour as the measure of the value of commodities in exchange; of the *mehrwerth* theory growing out of it; of the complete analysis of the categories of capital and the circulation of commodities which followed; and even of the admirable criticisms on Adam

Smith, Ricardo, the Physiocrats, and others which are now to be found in the second German volume. Apparently he had not.

At any rate, Professor Jevons was content with the old confusions, and made no effort to clear them up. "Fixed and Circulating Capital" he supplements by such a meaningless phrase as "Free and Invested Capital"; but of Constant Capital, Variable Capital, Money Capital, Goods Capital, Circulation Capital, in addition to Fixed and Circulating Capital, he and his followers still seem to be equally ignorant, regardless of the flood of light which Marx's subtle and exhaustive investigations have thrown upon the whole sphere of the production and circulation of commodities in modern society.

With labour it is the same. The value of labour is spoken of as if it had not been shown conclusively that labour has no value, that labour *can* have no value, apart from the commodities in which it is embodied. "I hold labour," he says, "*to be essentially variable,* so that *its value must be determined by the value of the produce, not the value of the produce by that of the labour.*" Which means — what? That the labour of a Zulu embodied in a diamond is worth more than the labour of the same Zulu for an equal time embodied in cane sugar? I am glad I am not called upon to answer.

But Jevons actually jumbles up the productive labourers with barristers, merchants, schoolmasters, and the like! The exertion of vital force which incorporates labour in commodities he puts on the same economic plane as the exertion of vital force to secure the acquittal of a murderer, or the successful placing on the market of a large parcel of adulterated goods. Old Sir William Petty taught him better than that more than two hundred years ago.

For the father of modern political economy speaks of such "labourers" as these as persons "who properly and originally earn nothing from the public, being only a kind of gamesters who play with one another for the labours of the poor, yielding of themselves no fruit at all." But a Professor of Political Economy at the University of Oxford, at the end of the reign of Queen Victoria, who could write as if the labour of a lawyer is the same in kind as the labour of an artisan, who also was quite ignorant of the meaning of social human labour in its simple, abstract form, was not a man likely to learn from a genuine thinker on Political Economy of the reign of Charles II.

Professor Jevons himself, I may note, made no distinction whatever between labour-power and labour. Yet labour-power is the value-creating commodity, which the capitalist buys, like other commodities on the market, and pays for in the form of money wages; and labour is the measure of the value of the commodities produced, in exchange with other commodities. Professor Alfred Marshall takes the distinction, without a word of acknowledgment, from Marx, but does not know what to do with it when he has got it. Do what he would, however, he could not possibly make a greater mess of his analysis than his master, Professor Jevons, did before him.

For instance, Jevons says: "The view which I accept concerning the rate of wages is not more difficult to comprehend than the current one. It is that the wages of a working-man are ultimately coincident with what he produces after the deduction of rent, taxes and the interest on capital." Is not that luminous? The wages of "a working-man" are what he can get, after landlord, government and (shall we say?) banker have scrambled for their portions!

To begin with, in our present form of production, no human being can tell what any single working-man *has* produced. It is quite impossible to differentiate his single bit of social work from the mass in which it is blended and lost. How much further forward, therefore, are we for this? But in his other explanations, Jevons is much less clear even than Adam Smith or Quesnay; for he omits altogether to take into consideration the "constant capital," the raw materials, the incidental materials, &c., which, though changed in form, appear, unchanged in value, in the complete product. Are we to understand that this belongs to "a working-man"? Of course not.

But such foolish omissions are only of a piece with the astounding statement which follows: "The fact that the workers ARE NOT THEIR OWN CAPITALISTS introduces complexity into the problem"!! The fact that the workers, as a class, are not themselves capitalists, as a class, that they do not own and control their own means of production and exchange and pay themselves their own wages, this fact "*introduces complexity*" into the solution of the problem of modern production; in which all the means and instruments of production are in the hands of the capitalists and the workers have only their labour-power to sell. If I had tried to invent nonsense in order to have the pleasure of fathering it upon the late Professor, I am confident that I could not have hit upon anything so indescribably silly as this. Yet this is the genius before whose shrine our University Professors of Political Economy still prostrate themselves!

If, however, Professor Jevons showed himself inconsistent, incapable, and confused in his theories of value in exchange, labour, and capital, he was equally at a loss when he came to the discussion of practical questions. His

foolish utterances on the exhaustion of our coal supply have long since been forgotten. His speculations on the depreciation of gold have been absurdly falsified. His analysis of the problems connected with money has not advanced us a single step. His remarks about gluts and commercial crises are ridiculously weak.

This last, I know, is a very tender place with economists of Professor Jevons' school. For what has "the master" said? "Overproduction is not possible in all branches of industry at once, but it is possible in some as compared with others." Now, as a matter of fact, the history of the commercial crises of the last century, if it throws into relief one point more clearly than another, proves that overproduction, or glut, in all branches of industry at once — a complete industrial crisis owing to social causes in every department of industry — is not only possible but inevitable.

How to explain these recurring crises? Jevons was quite incapable of doing it. His "final utility" gave him no clue, and his followers, save in cases where they convey without acknowledgment from others, are as much at sea as he was himself. But — not to be beaten at once, he went off out of our social arrangements — the very idea of the antagonisms between social production and individual exchange, between commodities and money, between production for use and production for profit, never entered his mind — he went off, I say, out of our social arrangements, and even out of our planet, right away to the sun, the source, he thought, of economic as of other light. It was the spots on the sun that did all the mischief! Unluckily for this hypothesis — but really it is not necessary to deal further with that ridiculous aberration. His own followers are ashamed of the nonsense, and I only refer to it now as

further evidence of the utter futility of his own system. Fortunately, the entire theory of commercial crises has been worked out by a very different school of thinkers, and Jevons' "Commercial Crises and Sun Spots" may be left to gather dust on its neglected shelf, until some writer, with nothing better to do, thinks it worth while to publish a monograph on "The Strange Hallucinations of Professors of Political Economy."

Professor Alfred Marshall has likewise his pretty little excursion into the realms of fancy in that huge tome of his that elucidates not a single problem which he takes upon himself to solve. Professor Marshall's hallucination assumes the shape of "Consumers' Rent."

This learned gentleman from Oxford teaches the young gentlemen at Cambridge that if they would rather pay £1 for a halfpenny box of matches than go without lucifers they pocket a Consumers' Rent to the tune of 19s. 11½d! This fallacy arises directly out of the notion that "final utility" or "esteem" constitutes the measure of value. When, however, the consumers, whether they be happy young undergraduates at Trinity, or luckless dockers at the East-end of London, grope in their breeches' pocket for the 19s. 11½d., which is their just rent for having been able to buy matches so much below their "final utility," they will appreciate the humour of the learned professor at its true exchange value.

"But for the honour of the thing now," said an Irishman (whom I take to have been a lineal ancestor of Mr. George Bernard Shaw) when he was conveyed to a ball in a sedan-chair with no bottom to it—"but for the honour of the thing now, bedad, I might just as well have been walking!"

What now are the tests of really scientific method in

Economics, as in every other department of human knowledge? Rigid and logical analysis, accurate induction, luminous and pregnant hypothesis, masterly synthetic verification, preparation of the ground for reasonable forecast.

On every one of these points Professor Jevons is markedly deficient. His analysis is absolutely worthless; his induction is loose and useless; his working hypothesis is "conspicuous by its absence"; having nothing to verify, his verification is unattempted; while forecast on his lines is utterly hopeless. The school of economists which has followed closely in his footsteps has been as barren of improvement or discovery as he was himself. Only when they have abandoned his crude and ill-digested commonplaces in favour of a widely different method, have his pupils done any good work whatever. The *Final Futility of Final Utility* is conclusively proved by the utter incapacity of any thorough-going Jevonian to give a reasoning explanation of the daily working of the capitalist system of production and exchange. Surely it is high time that, at whatever expense to individual reputations, this involved and bootless theory should be generally recognised as the jumble of confusion which it is.

CHAPTER XII

SYNTHESIS OF ANALYSIS

Such an analysis as that which it has been my endeavour to put in a compendious shape in the foregoing pages necessarily leads those who adopt it as a correct exposition of the main features of modern industrial society to consider the steps which can be consciously and advantageously taken towards the organisation of national and international production and distribution on a co-operative instead of on a competitive basis.

Manifestly, the many antagonisms of our existing social system, arising out of the initial antagonism between social production and individual ownership and exchange, cannot be harmonised, so long as there is a wage-paying class and a wage-receiving class. All, therefore, who wish to solve the difficulties which at present face us must recognise that a complete economic and social revolution can alone give the desired result.

This economic and social revolution is even now being prepared by the inherent weakness of the capitalist system, which has already seen its best days. The capitalist class itself has conclusively shown that it is unable to handle the great means and instruments of production and distribution to the general advantage of the community. Periods of wild inflation and ruinous depression; overcrowded towns and deserted country; luxury above and starvation below; physical improvement of the well-to-do class accompanied by continuous deterioration and enfeeblement of a large

portion of the working-class; monopoly extending, yet the powers of the State used against the people — such are a few of the more obvious shortcomings of fully-developed capitalism which are preparing its downfall in every country.

How to anticipate this downfall, and to ward off if possible the danger of an intermediate period of anarchy, should be the thought and work of economists and statesmen in every country. No doubt, in view of the deplorable social conditions of our time, it is a matter of little concern to the scientific sociologist whether the inevitable change takes place peacefully or tempestuously.

We ourselves take no account to-day of the horrors of the barbarian invasion of the Roman Empire; of the wholesale slaughterings of conquering Mohammedanism in East and West; of the turmoil and ruffianism of the Middle Ages; or of the piracy and slaving by white men in North and South America and Asia which fitly ushered in the capitalist epoch. So it will be with those who come after us. The dwellers under international organised communism will assuredly not trouble themselves to count the numbers of those who fell in the preceding conflicts, or to discriminate between the people who died from actual violence and those who simply rotted out of existence in the bloody peace of our present class war.

But such a conscious advance as Socialists advocate, even though it may not relieve society from the physical struggles which have accompanied or preceded other epochs of crucial change, will at least tend to shorten the period of disturbance and to lay the foundations for a solid reconstruction.

That capital must be destroyed before any thorough reorganisation can take place is certain. This does not

mean, however, that the great means and instruments of making and distributing wealth should be destroyed. Not at all. Capital expresses class-ownership and production for profit as the dominant economic and social system. Its destruction only involves the change from individual or company ownership to the ownership of the Community at large. Wagedom being finally done away with by the abolition of capital, industrial Communism will at once take its place.

Now the only way in which this can be peacefully brought about, assuming that no cataclysm occurs, is through the agency of the democratic Community as the organised power of the whole people. Each department of industry or distribution which becomes a Public Service is already approaching to the Socialist form. To the form, I say, because, as in the case of the Post Office in all countries, the spirit of Socialism is wholly absent. Instead of co-operative organisation for the general advantage, we have to-day remuneration on the competitive scale and overwork, in the lower grades of the department, for the benefit of the dominant class.

This arises, not from the nature of the case, but from the determination of that dominant class not to give up its position and privileges, and from the ignorance and apathy of the wage-earners, as well without as within the ranks of the department. There is no economic reason why this great public service in particular, with its wide national connections and international ramifications, should not form the nucleus of a great co-operative system. All its members and their families need food, clothing, and house-room, all render useful service in return for these and other necessaries of life; and the genuine co-operative methods

of supply once set on foot in any of the public services would speedily spread to others.

During the war department after department of industry and distribution was brought under collective control and administration. But for the efforts of the Government to "keep the existing system in being" by upholding the monopoly banks, at one end of the scale, and the wasteful small distributors at the other, peaceful reconstruction, in the interest of the whole community, on co-operative lines, would have been carried much farther. Even as it was the war could not have been won on the old capitalist lines.

In order to help in the beneficial national advance the great Co-operative Societies who supply between one-fourth and one-third of the population twice offered to place their entire organisation at the disposal of the Government. A similar proposal was made during the miners' strike. All these suggestions were declined. It is clear nevertheless that along these lines, in conjunction with the organised forces of labour the most effective and beneficial co-ordination of existing competitive anarchy can be brought about. Unfortunately, since the Armistice and the Peace, the dominant class has done its utmost to return to the old chaotic profiteering system and has succeeded so far in subordinating the management of the community to the control of the Trusts, now more powerful than ever. This policy, though temporarily successful, must ere long lead to the absorption of monopolies by the Co-operative Commonwealth.

Wherever, in fact, the company form on a large scale has been attained, either in production or distribution, there the economic development has already reached the

point at which the State can easily step in and advantageously substitute a public service for a shareholders' organisation or monopoly. And those great enterprises which, from their inception, have been in the form of a joint-stock company are obviously those which lend themselves most naturally to this change.

Railways and canals, for example, being the main arteries of transport and communication in every civilised country, would be far better in the possession of the public at large, as are the highways and bridges which it has been the policy everywhere of late years to free from turnpikes and toll-bars. Such functions as those now fulfilled by railways can never be safely left in private hands.

This is being recognised both in England and America, where railway companies have been allowed more latitude than anywhere else. The virtual monopoly of transport which they possess is so manifestly a government within a government, and so opposed to the public interest, that the demand for nationalisation and socialisation, that is, for their conversion into a co-operative public service, is daily growing on both sides of the Atlantic, and finds acceptance among members of the capitalist class itself.

Assuming such nationalisation and socialisation to be carried out to the fullest extent, it by no means follows, of course, that, except in form, we should be any nearer to the institution of Social-Democracy, seeing that in countries where the railways are already national property capitalism reigns supreme. But the machinery for co-operation is so far made ready for immediate use, and the area of possible peaceful transition is so greatly widened, that the abolition of wages and the co-operative apportionment of wealth could be easily set on foot.

Similarly with coal and oil mines. Coal is a necessary

of modern industrial life, and, as in the case of the railways, many of the dominant class who regard Social-Democracy with horror have been frightened by coal strikes, and the consequent stoppage of trade, into advocacy of the collective acquisition and management of coal mines in the interest of the whole community. The same reasoning applies with almost equal force to the great monopoly of mineral oil. The production and distribution of both is controlled by companies, and there is assuredly no economic difficulty to be overcome in their appropriation by the people at large.

Here again the area of possible co-operative production and distribution would again be greatly extended, as these branches of industry became public services instead of company monopolies.

The conversion of the factory industry in its various departments of cotton, wool, iron, leather, liquors, etc., presents greater difficulty. But here, likewise, there is now no longer any economic obstacle to be overcome. On the contrary, the economic forms are manifestly ready — and this applies in an equal degree to the great distributing stores owned by limited companies — for the transformation from competition and production and distribution for profit, to co-operation and production and distribution for use. Raw materials and goods of all kinds would then be produced and warehoused in publicly owned and communal stores for the service of all who formed part of the co-operative commonwealth. The moment, in short, men's minds become capable of understanding the real problem to be solved around them that problem is virtually on the high road to solution in so far as all these large organisations are concerned.

A more serious question is presented by the land; and

the reorganisation of the great fundamental industry of agriculture on a co-operative basis is the most difficult problem of all. In no country has agriculture attained the company form except in a few isolated instances. In no nation except in England have the peasants been completely uprooted from the soil; though the tendency for population everywhere is to migrate from the rural districts to the large towns. Each nation must inevitably settle this as other matters in accordance with its historic growth and the stage of its economic development.

Where the population is still attached to the soil, as in France, Germany, Italy, and generally on the Continent of Europe, or where it has lately settled in the country districts, as in the United States and the Colonies, it is manifest that the difficulties to be met are quite different from those which have to be faced and dealt with in England. Yet in both cases the establishment of farming and market-gardening, as an industry to be worked with the best possible machinery and scientific appliances in co-operative union and alternation with other industries, is obviously the end to be aimed at. Nor are the obstacles so great as might at first sight appear. Though there can be no immediate progression from the company to the public service as in other cases, the moment co-operation and communism begin to replace competition and wage-slavery the tendency of agriculture will be towards the same organisation as obtains in the other departments of social work.

It is the necessity for treating all the agencies of production and distribution as portions of the next great national development which constitutes mere municipalisation a danger in the near future. To put gas, water, tramways, and so on under the control of the municipali-

ties may mean better and cheaper administration under capitalist conditions. But the tendency of those who fix upon municipalities as the limit is to crystallise the towns as they are.

Instead of doing this, the first object of Socialism must of necessity be to break down the barriers between country and town and spread the population out into the rural districts; not for the purpose of remaining isolated and immovably planted on the soil, but as a portion of the active life of the whole community according to the seasons; the town forming the centres of manufacture and handicraft and the gathering-places for the higher instruction and amusement. That the greater part of our modern cities will have to be completely destroyed is at any rate clear to all who bear in mind that fresh air is a necessity for healthy existence.

Such reorganisation on progressive Social-Democratic, Co-operative lines may but too probably be interrupted by the economic and social collapse and cataclysm which some of us fear will overtake the peoples uninstructed as to its real meaning, and unprepared to deal capably with its results. In any case, however, the whole civilised world will inevitably be forced, sooner or later, to act together in the reconstitution of the future. The class war knows no national boundaries, the markets of our day are the markets of the world. As mankind has advanced in its economic and social progression from the *gens* and the tribe to the province, the municipality, the nation, so the change from the social production of commodities by wage-slaves, and the exchange for profit under the control of individuals, have broken down the boundaries of nationality, and the next stage will be international social production and social exchange of articles of use without profit. Economics, in

the main, though by no means wholly, guide the course of human development, and the most careful economic analysis of our present society shows us that, partly consciously and partly unconsciously, the greatest transformation of the ages has already begun.

That transformation must inevitably entail the complete overthrow of capitalist production of commodities for profit, and, therefore, the payment of wages for the purchase of labour-power. Then production for use by the social services of the whole adult community, having command over nature and the social creation of wealth, by processes infinitely greater than any ever before at the disposal of mankind, will substitute the freedom of organised co-operation for the slavery of competitive anarchy.